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AUTHORIZING THE PAYMENT TO LOCAL GOVERNMENTS OF SUMS IN LIEU OF TAXES AND SPECIAL ASSESSMENTS WITH RESPECT TO CERTAIN FEDERAL REAL PROPERTY

JULY 7, 1956.—Ordered to be printed

Mr. HUMPHREY, from the Committee on Government Operations under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany S. 4183]

The Committee on Government Operations, having considered various bills relating to payments in lieu of taxes, reports favorably an original bill, S. 4183, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property, and for other purposes, and recommends that the bill do pass.

PURPOSE

S. 4183 would establish a temporary program of payments in lieu of taxes and special assessments on a very limited category of real property which has been removed from local tax rolls as a result of Federal acquisition. The major category of payments authorized would be at the discretion of a Federal board which would administer the program, and numerous additional safeguards have been included in order to insure against any undue or unjustified payments. It would also provide that the board shall conduct a comprehensive study and make a case-by-case analysis of virtually every phase of fiscal and related problems of local taxing authorities arising out of Federal immunity from local real and personal property taxes, including the operation of existing programs. The Congress would receive semiannual reports from the board on the operation of the program and, within 2 years after the date of enactment, a comprehensive report, accompanied by appropriate proposed legislation, detailing its recommendations on the necessity for a continuing policy.

Nothing contained in this bill would have any effect upon existing payments or revenue-sharing arrangements authorized by law.

S. 4183 is a modest attempt to deal with a problem which the Committee on Government Operations and other committees of the Congress have studied and considered for more than 7 years. It represents the firm conviction of the committee that no comprehensive program is possible, and that the only feasible approach to the problems involved is by means of a limited program of payments in lieu of taxes, coupled with a case-by-case consideration by an administrative board of the relative merits of individual cases. This bill would implement, in principle, many of the major recommendations, relative to payments in lieu of taxes, of the Commission on Intergovernmental Relations. It has the support of the administration, and embodies the views and amendments submitted to the committee by the Bureau of the Budget.

This bill would authorize, for a 5-year period, (1) a very limited program of payments in lieu of taxes on industrial or commercial real properties acquired by the Federal Government after June 30, 1950; (2) payments of special assessments levied after the effective date of the act in urban or suburban areas, if such assessments were also levied on real property owned by other taxable persons; and (3) payments in lieu of taxes on the interest of the Federal Government in real property leased or sold to private persons under conditional sales contracts, if such property were owned by a taxable person.

The program would be administered by a five-member, bipartisan Federal board for Payments to Local Governments, appointed by the President, subject to Senate confirmation. A taxing authority would be required to file an appropriate application, specifying the Federal property involved, the basis of its claim and the period for which the claim is made (not to exceed 12 months in any single application). The Board, after determining the existence of a probable basis for the claim, and conducting a hearing, if a basis is found to exist, would be required to determine and certify to the controlling Federal agency the amount of payment to be made to the local taxing authority. In the case of industrial or commercial real property, however, the applicant would be required to make a showing that Federal acquisition of such property has resulted in a financial hardship to the community in question. The actual payment to be made would be based upon the amount of local taxes which would have been payable had the property been privately owned, increased by additional expenditures incurred by the taxing authority in furnishing services to the Federal property, and diminished by the aggregate of local-type governmental services furnished by the controlling Federal agency, further diminished by any additional credit against Federal liability resulting from any exemption, immunity or reduction in the tax rate or amount, if such are available, under State or local law, to private persons as an inducement to engage in industrial or commercial activities within the territorial jurisdiction of the particular tax authority. The Board's decisions are made final and would be conclusive upon all tax authorities and Federal agencies, and may not be questioned by any court or Government accounting office.

Specific provision is made to insure that this bill will not affect payments by Federal agencies under existing programs authorized by law; that Federal property under an existing program would be

UNIVERSITY OF MICHIGAN LIBRARIES

excluded from the coverage of this bill and would not be subject to additional payments for the same period; and that in no event could the Federal payment on industrial or commercial real property exceed the amount of the tax which would be payable if such property had been developed and used by a taxable person for a typical private industrial or commercial use, either within the jurisdiction of that tax authority or in nearby comparable communities.

The Board, either on its own motion or upon application by a tax authority, would be required to make various studies relative to (1) fiscal and other problems of local taxing authorities arising out of Federal immunity from real and personal property taxes; (2) the nature and extent of payments to local taxing authorities under other Federal programs; including grants-in-aid and revenue-sharing programs; and (3) the nature and extent of benefits derived by tax authorities directly or indirectly through persons residing or employed upon Federal property and for or in connection with any property, trade, business, etc., situated or occuring upon Federal property. The Board would be required to report semiannually to the President and the Congress with respect to its operations during the preceding period and to file, no later than 2 years after the date of enactment, a comprehensive report, accompanied by appropriate proposed legislation, detailing its recommendations on the necessity for a continuing policy for compensating local tax authorities for losses sustained incident to the presence of Federal tax-exempt property within their jurisdictions, and with respect to the future treatment of properties for which payments are temporarily authorized under Public Law 388, 84th Congress (former RFC properties).

The Board would be authorized to employ personnel and procure the services of consultants, at rates not to exceed $50 per day, to conduct hearings or investigations, and to examine witnesses and compel their attendance by subpena. It would be required to maintain an accurate stenographic record of all testimony, a transcript of which would be filed in the office of the Board. The Board would cease to exist on December 31, 1963, 2 years after the terminal date for the filing of applications for payments.

Finally, the bill would establish a 12-member advisory committee, composed of representatives of the Federal Government, State governments and local taxing authorities, appointed by the President, which would be required to conduct studies of the administration of this act, as well as all other Federal legislation authorizing payments of taxes or in lieu thereof, by Federal agencies to local tax authorities, and problems arising in connection therewith. This committee would be required to consult with the Board, upon its request, in an advisory capacity in the solution of such problems, and transmit from time to time to the Board and to the President for transmittal to the Congress, a report summarizing the results of its studies, together with recommendations for administrative or legislative changes considered necessary or desirable for efficient, economical and equitable administration of such provisions of law.

BACKGROUND

General

State and local taxing authorities have been seriously concerned, particularly since 1939, over the increasing acquisition by the Federal Government of various types of property which has operated to

remove such property from local tax rolls. Local governments depend upon property taxes for more than half of their total revenues, so that they are particularly concerned when the Federal Government acquires real estate and thereby removes it from the property tax base while at the same time activities on or associated with the Federal property may impose service burdens upon these local governments. From time to time, the Congress has acknowledged responsibility for reducing, to some extent, the adverse effects of these acquisitions upon local government revenues and fiscal structures by enacting numerous statutory provisions which authorize payments by certain Federal agencies and departments or upon certain types of properties. However, the great majority of Federal agencies have no general authority to make payments on their properties. Furthermore, existing provisions of law are quite diverse and result in different treatment for similar properties of various agencies. Thus, those provisions of law which do exist fail to present any clear-cut uniform policy. On some classes of property, some agencies pay taxes; others make payments in lieu of taxes; and still others make no payments at all.

The seriousness of the general problem appears to have been magnified by the outbreak of the Korean war in 1950, when large-scale Federal acquisitions of defense production facilities throughout the country resulted in the removal of substantial parcels of real property from local tax rolls. In addition, local taxing authorities have been and are being deprived of personal property tax revenues on inventories of such properties as a result of provisions in procurement contracts under which title to such inventories passes to the Federal Government prior to completion.

Studies of Federal-State-local tax relations

During the past 20 years, the fiscal problems of local governments resulting from Federal acquisition and control of real property, and the impact of Federal immunity from State and local taxation have been the subject of almost continuous study by governmental, quasi-governmental, quasi-governmental and private groups which have filed some 9 reports with recommendations.

The first of these was initiated by the President of the United States in 1935 when he appointed a committee consisting of the Secretary of the Treasury, the Attorney General and the Acting Director of the Bureau of the Budget, and directed them to undertake a study of Federal ownership of real estate and of its bearing on State and local taxation. This committee made a brief study and submitted its report and recommendations to the President in 1938 (Federal Ownership of Real Estate and its Bearing on State and Local Taxation, H. Doc. No. 111, 76th Cong., 1st sess.).

Following one of the recommendations of this committee, the President established a Federal Real Estate Board to study and make appropriate recommendations regarding the situation in different communities adversely affected by the loss of tax revenues on land acquired by the Federal Government. This Board submitted a 50-page report with recommendations to the President and the Congress in 1943 (Federal Contributions to States and Local Government Units With Respect to Federally Owned Real Estate, H. Doc. 216, 78th Cong., 1st sess.). The Board continued in a quiescent state until 1951 when it was finally dissolved.

UNIVERSITY OF MICHIGAN LIBRARIES

During much of this same period, the Treasury Department, through a special committee, was conducting a study of the entire subject of Federal-State and local fiscal relations, including payments in lieu of taxes. This committee submitted a 595-page report (Federal, State and Local Government Relations, S. Doc. 69, 78th Cong., 1st sess.).

In January 1948, the first Commission on Organization of the Executive Branch (Hoover Commission) retained the Council of State Governments to make a comprehensive study of the entire field of Federal-State relations. The Council submitted a 297-page report to the Commission in July 1948, which report was transmitted to the Congress in March 1949 (Federal-State Relations, S. Doc. 81, 81st Cong., 1st sess.).

In April 1949, the Secretary of the Treasury invited representatives of State and local governments to a conference on intergovernmental tax problems. Payments in lieu of taxes to State and local governments was one of the subjects under discussion, and the conference requested the Bureau of the Budget to work out comprehensive recommendations on this subject. The results of this undertaking will be discussed below.

During the same month, the Treasury Department prepared a staff memorandum (Payments to State and Local Governments on Federally Owned Real Estate, April 5, 1949, joint hearings before the Subcommittees on Intergovernmental Relations of the House and Senate Committees on Expenditures in the Executive Departments, 81st Cong., 1st sess., pp. 238–248) which it submitted for committee consideration.

In September 1952, the Associate General Counsel, Housing and Home Finance Agency, prepared a 61-page study on the subject of payments to local governments in lieu of taxes, for the section on municipal law of the American Bar Association (mimeographed memorandum prepared by Joseph Guandolo).

In May 1954, a detailed, comprehensive study of the whole subject of Federal landownership and the public land laws was prepared for and issued by the Committee on Interior and Insular Affairs of the House of Representatives (Preliminary Report on Taxes and Other In-Lieu Payments on Federal Property, Committee Print No. 23, 83d Cong., 2d sess.). This 133-page report contains a comprehensive analysis and factual presentation of virtually every phase of Federal-State-local relations as relates to Federal payments of taxes or in lieu thereof to local governments, and contains all of the pertinent statutes on the subject.

In March 1955, the General Services Administration submitted to the Senate Committee on Appropriations an inventory report on Federal real property in the continental United States, as of December 31, 1953, prepared at the request of that committee, a summary of which was issued as Senate Document No. 32, 84th Congress. This inventory covers all land, buildings, and other structures and facilities located within the continental limits of the United States, title to which is vested in the United States or in wholly owned Government corporations. A copy of this report was also filed with the Committee on Government Operations.

In February 1956, the General Services Administration submitted to the Committees on Appropriations and Government Operations a second inventory report covering Federal real property in the con-

tinental United States, as of June 30, 1955 (S. Doc. 100, 84th Cong.). This 112-page summary report reflected refinements in the data submitted earlier, and stated that considerable progress had been made in improving real property records throughout the Government. An inventory report on Federal real property outside of the continental United States, as of June 30, 1955, with complete supporting data, was submitted in March 1956 (S. Doc. 109, 84th Cong.).

In addition, numerous studies dealing with the impact of Federal tax immunity on State and local government fiscal structures have been prepared, from time to time, by various State and local government associations.

These materials contain a detailed breakdown, as of June 30, 1955, of every piece of real property owned by the Federal Government, both inside and outside of the continental limits of the United States, tabulated both by States and by agencies.

Finally, in June 1955, the Commission on Intergovernmental Relations submitted a 311-page report with recommendations, which was accompanied by 15 additional volumes, totaling in all, approximately 2,200 pages. One of these volumes, was a 197-page report entitled "Payments in Lieu of Taxes and Shared Revenues," which contained an exhaustive study of the entire subject, with detailed recommendations concerning future Federal policy with respect to payments to State and local governments for Federal property holdings located therein.

Committee action in the 80th, 81st, and 82d Congresses

Following a meeting of members of congressional committees and governors, called for the purpose of studying Federal-State tax relations, held in Chicago on September 26–27, 1947, the Senate Committee on Government Operations (then the Committee on Expenditures in the Executive Departments) was designated to conduct a special study of the problems of Coordination of Federal and State Taxes, with the objective of strengthening the tax structures of local and State governments and compensating them for losses of revenues from former sources of taxation In its report to the Senate (S. Rept. No. 1054, 80th Cong.) stress was placed by the committee on the importance of assuring that Federal, State, and local tax systems are adequate to the job assigned to them and on the need for determining whether they fit together into a combined tax system which is equitable, administratively efficient, and economically sound.

During the past 7 years, this committee has had pending before it numerous bills dealing with various aspects of Federal-State-local tax relations, in general, and of payments of taxes or in lieu of taxes, in particular.

In 1949, during the 1st session of the 81st Congress, the committee considered three Senate measures relative to the establishment of a National Commission on Intergovernmental Relations which would have been required to study and make recommendations with respect to various aspects of intergovernmental relations, including intergovernmental tax immunities. Joint hearings were held by the Subcommittees on Intergovernmental Relations of both the Senate and House Committees on Expenditures in the Executive Departments. At the hearings, which lasted for 5 consecutive days, 267 pages of testimony and exhibits were received and more than 20 witnesses were heard. A new committee bill, S. 1946, was reported

UNIVERSITY OF MICHIGAN LIBRARIES

favorably on June 13, 1949 (S. Rept. 488, 81st Cong.), but failed of passage following an objection on a call of the Senate Calendar.

In 1950, the committee considered S. 3147, which had been drafted by its Subcommittee on Intergovernmental Relations. It was introduced by Senator Humphrey, for himself and 42 other Senators, and was substantially similar to S. 1946. The bill was reported favorably on June 22, 1950 (S. Rept. 1856, 81st Cong.), but failed of passage following an objection on the call of the Senate Calendar.

In 1951, during the 82d Congress, Senator Humphrey introduced S. 2268, which had been prepared and submitted to the committee by the Bureau of the Budget, after extensive study, in fulfillment of the assignment it had accepted at the 1949 intergovernmental relations conference, described in the preceding section, that the Budget Bureau develop a comprehensive set of recommendations on this subject. This bill was a broad, comprehensive measure designed to establish a uniform policy throughout the Federal Government with respect to payments of taxes or in lieu of taxes. It would have replaced some 20 piecemeal statutory provisions with 5 broad types of payments to State and local governments on federally owned real estate and included payments on a limited category of tangible personal property. No action was taken on this measure during the 82d Congress.

The committee also had before it a bill, S. 1166, recommended by the Hoover Commission, which proposed to establish a temporary Commission on Intergovernmental Relations, which would have been required to study the subject and report its recommendations to the Congress within a limited time. Since the committee members preferred to have the benefit of the report of this proposed Commission, it decided to take no action on S. 2268, but reported favorably S. 1166 on July 12, 1951 (S. Rept. 544, 82d Cong.). The bill failed of passage, following an objection on the call of the Senate calendar.

Committee action in the 83d Congress

During the 83d Congress, the committee devoted considerable time and effort to the subject of intergovernmental relations, with special reference to payments in lieu of taxes to local taxing authorities. Early in 1953, hearings were held on S. 1514 and related bills to establish a Commission on Intergovernmental Relations, required to study, report, and submit recommendations, relative to various phases of Federal-State-local fiscal and other relations, to the President and the Congress. This bill was reported favorably on May 4, 1953 (S. Rept. 215, 83d Cong.), passed the Senate on May 6, and became Public Law 109, 83d Congress, on July 10, 1953.

The committee also had before it in the 83d Congress three bills which were designed to provide varying measures of relief to hard-pressed communities. S. 788, introduced by Senator Humphrey (identical to S. 2268, 82d Cong.), was designed to establish a uniform policy throughout the Federal Government with respect to payments in lieu of taxes. S. 2473, introduced by Senator Knowland, was designed to provide a permanent, continuing system for payments by the Federal Government to State and local taxing units adversely affected by Federal acquisition, ownership, or use of defense production facilities. H. R. 5605 was designed to furnish temporary relief for local taxing authorities who were under an undue and unexpected burden as the result of the transfer of taxable real property from a

Government corporation to another Federal department or agency, which transfer operated to take such property out of taxation.

The committee held hearings on S. 2473 in 1953, and again in 1954, in connection with its consideration of H. R. 5605. Following considerable further study, the committee decided to defer action on S. 788 and S. 2473, first, because their broad scope and coverage required further analysis, and second, because the committee was advised by the Bureau of the Budget that the President would formulate no policy with respect to the subject-matter of these bills until he had an opportunity to review the final findings and recommendations of the Commission on Intergovernmental Relations which was then engaged in an intensive study of the areas covered by these measures. The committee decided, however, that the financial plight of the very small number of local taxing authorities which would be covered by H. R. 5605 entitled them to some measure of relief. Accordingly, it reported the latter bill favorably on July 21, 1954 (S. Rept. 1966), but it failed of final passage following an objection on the call of the Senate calendar.

Committee action in the 84th Congress

During the 84th Congress, the committee had before it 10 bills dealing with the various aspects of payments of taxes or in lieu of taxes by the Federal Government to local taxing authorities, which fell into 5 major categories: (1) The establishment of permanent and overall policies and procedures with respect to payment by the Federal Government of taxes or in lieu of taxes, represented by S. 1566 (Humphrey, Kuchel, and Goldwater); S. 1657 (Bush); S. 2390 (Knowland); and S. 2754 (Malone); (2) the establishment of a limited program of payments by the Federal Government in lieu of taxes with respect to Federal real and personal property acquired during and subsequent to the Korean war, represented by S. 826 (Bender); (3) the establishment of a temporary, short-term program for the relief of local taxing authorities, designed to alleviate their acute fiscal difficulties, pending a more permanent solution, represented by S. 888 (Martin of Pennsylvania) and S. 2377 (Potter); (4) the establishment of a program authorizing payments of a very limited type, such as special assessments for public improvements, represented by S. 3534 (Schoeppel) and S. 3785 (Magnuson); and (5) the elimination of certain types of Federal tax immunity with respect to State sales and use taxes on personal property, represented by S. 2100 (Thurmond). All but one of these bills, S. 3785, were introduced during the 1st session of the 84th Congress.

In 1955, during the first session of the 84th Congress, the committee considered and approved S. 2377 (similar in essential respects to H. R. 5605, 83d Cong., as reported by this committee and S. 888, 84th Cong.). This bill was reported favorably, with an amendment in the nature of a substitute containing language identical to a companion measure, H. R. 6182, previously approved by the House of Representatives. After agreeing to the committee amendment, the Senate, on July 30, 1955, passed the companion measure, which became Public Law 388 on August 12, 1955. This act provided temporary relief for local taxing authorities by restoring to the tax rolls certain real property which had been held by the Reconstruction Finance Corporation and was subject to local taxation, but which had been

UNIVERSITY OF MICHIGAN LIBRARIES

taken out of taxation by the transfer of such property to other Government agencies.

In July 1955, the committee held a preliminary hearing on the seven bills which were then before it. Further action was deferred, however, pending an opportunity to examine and evaluate the report and recommendations of the Commission on Intergovernmental Relations, and the receipt of the administration's comments and views on the pending bills. Following this hearing, the staff was directed to make an exhaustive analysis of the pending bills and the pertinent recommendations of the Intergovernmental Relations Commission and its Study Committee on Payments in Lieu of Taxes and Shared Revenues, which had been referred to the committee on June 27, 1955. This study was embodied in a 17-page staff memorandum, to which was attached a 52-page appendix, all of which were incorporated in the record of the hearing. (Hearing before the Committee on Government Operations, United States Senate, 84th Cong., 1st sess., Payments of Taxes, or in Lieu of Taxes to State or Local Taxing Units, pt I, July 25, 1955.) The bulk of the testimony received at this hearing was from various individuals and groups concerned with payments of taxes or in lieu of taxes to State or local taxing authorities. Since the executive branch agencies had not yet formulated a policy on this subject, they did not desire to present their views at that time.

Hearings on the pending bills in the second session of the 84th Congress were held on April 19 and 20, 1956. Although all of the executive branch departments and agencies were invited to participate, with the exception of the Department of Defense and the Bureau of the Budget, they preferred to submit their views in the form of written statements for the record. For the most part, these statements contained detailed analyses of the effect of the various bills on the reporting agency, and evidenced much painstaking effort. The position of the executive branch was presented by representatives of the Bureau of the Budget and the Department of Defense, in the form of oral testimony, supplemented by supporting materials which were submitted for the record.

Since the record in support of the pending bills had been fully presented at the earlier hearings by representatives of various State and local government associations, and was fully set forth in the report of the Commission on Intergovernmental Relations, witnesses from these associations agreed to limit their testimony to brief summaries and to the submission of statements for the record.

At the hearings, a representative of the Bureau of the Budget stated, in effect, that the administration was fully aware that large-scale Federal acquisition of real property, and Federal tax immunity may, and often does, result in serious financial hardships to local governments. However, the presence of Federal installations often result in benefits to a community which more than offset the burdens. Furthermore, care must be taken to preserve the traditional Federal immunity from local taxation. Accordingly, the solution was not to inaugurate a broad system of payments in lieu of taxes, which might involve the expenditure of huge sums of money, but rather to seek an accommodation which would lessen the severity of the Federal tax immunity, while avoiding a major breach of existing immunities and incorporating

adequate safeguards against unnecessary or excessive Federal payments.

It was the position of the administration that the basic principle of an appropiate system must be that in a particular taxing jurisdiction, there is a demonstrable hardship caused by the recent removal of Federal properties from the tax rolls, and that the hardship is of such depth and importance that special Federal financial assistance is warranted.

The administration spokesman stated that—

> the magnitude of the problem has led us to conclude that a limited and careful start should be made, through suitable legislation, toward making payments where communities demonstrate financial distress because of revenue loss directly attributable to the removal of taxable real property from the tax rolls as a result of Federal acquisition.

Based upon these considerations, the administration was unable to support any of the major bills pending before the committee, but was prepared to support legislation which would achieve a proper balance between a fair payment to the recipient local government and a fair charge to the National Government. It was their position, however, that such legislation should include (1) a limited designation of the kinds of acquired Federal properties which may be the subject of payments, (2) precise definitions of eligibility for particular categories of property, and (3) rules for charging for special services rendered to the National Government and crediting special benefits conferred by the National Government. With such an approach, the administration felt it should be possible to define and control the policy commitment and the resulting financial obligation of the Federal Government, in those cases where a substantial impairment of the finances of the local government is directly attributable to the removal of property from the tax base as a result of Federal acquisition.

Summing up its position, the Bureau of the Budget stated:

> We recommend that legislation be enacted now to provide the authority and mechanism for payments, during a period of 4 or 5 years, in cases of demonstrable hardship involving the recent removal of real estate from the tax rolls by reason of its acquisition by the National Government for industrial or commercial purposes, and including provision that during that period there shall be detailed field studies of specific local situations. We believe that additional legislation should await a reasonable period in which to acquire experience in administering this limited policy.

COMMITTEE ACTION

General

Following consideration of the testimony contained in the 477-page record of the hearings, the committee concluded that (1) because of the complexities inherent in the subject, and the large number of variables involved, it was unable to recommend favorable action on any of the pending bills; (2) that since the factual pattern varied in the 16,778 cities and 3,049 counties in the United States which may possibly be affected by Federal tax immunities, the only approach which would furnish a measure of relief to those local governments

UNIVERSITY OF MICHIGAN LIBRARIES

which are hard pressed as a result of Federal acquisition, was through a limited program of payments in lieu of taxes, coupled with a case-by-case consideration by an administrative board of the relative merits of individual cases; (3) that any further legislative action would have to await the accumulation by such a board of information concerning specific local needs and situations, compiled on a case-by-case basis, following field studies; and (4) that no amount of general study, unrelated to the specific variable factors in each individual case, would serve any useful purpose.

The committee was supported in these conclusions, not only by the Bureau of the Budget, which has had these matters under study for many years, but also by a number of the sponsors of the major bills pending before the committee, who testified in the hearings that, in their judgment, bills proposing to establish broad comprehensive programs had not received favorable action over the years because such an approach is not feasible.

Following further consideration and discussion, the committee directed the staff to prepare a bill embodying the considerations listed above. After a series of conferences with representatives of the Bureau of the Budget, the committee approved the subject bill, with an amendment proposed by Senator Cotton, which was designed to make available to Federal property any tax benefits which might be available, in any taxing jurisdiction, to private persons as an inducement to locate their establishments within the particular jurisdiction.

The committee's decision to approve a program providing for three categories of payments was based upon the following considerations:

(1) With respect to special assessments levied after the effective date of the act, it was felt that since a special assessment results in an ultimate improvement to the property, thus adding to its value, there is no reason why Federal agencies should not pay for improvements to their properties in the same manner as private taxable owners, provided, of course, the assessment is levied on real property owned by all other taxable persons.

(2) With respect to payments in lieu of taxes on the Federal Government's interest in real property leased or sold to private persons under conditional sales contracts, the property is being used for private purposes, and is operated by private, taxable persons, and the interest of the Federal Government is only that of a landlord, in the case of leased property, and is purely temporary in the case of property conditionally sold.

(3) With respect to industrial or commercial property acquired after June 30, 1950, the guiding consideration was the fact that the Federal use of such property is, for the most part, identical to that of private taxable property used to produce for the same purposes. Thus, if the property were privately owned, it would pay taxes; the mere fact of Federal ownership should not deprive the local taxing authority of taxes in cases where Federal acquisition or use has resulted in a hardship to the community. In the event that the local taxing authority is unable to demonstrate to the Federal administrative board that Federal acquisition has resulted in hardship, no payments would be made. The June 30, 1950, cutoff date was chosen because this date would cover the increased Federal acquisition of real property of this type, incident to the Korean war. In addition, it will serve to keep the cost of this program within reasonable bounds.

Cost

The committee gave considerable attention to the probable cost of the program established by S. 4183, and concluded that only rough estimates can be made, because it is impossible to forecast the special assessments which local taxing authorities are likely to levy on Federal property in the future; and it is difficult to estimate the cost of Federal payments on the Federal interest in real property leased or sold under conditional sales contracts, since the State laws with respect to such properties vary considerably, and the value of the Federal interest as well as the tax equivalent of that interest are difficult to estimate.

Concerning industrial or commercial real property acquired by the Government after June 30, 1950, although the properties falling into this category are generally identifiable, the potential cost of Federal payments on such properties cannot be determined without a prior determination of (1) their assessed value; (2) applicable local tax rates for each specific piece of property; (3) the adjustment which would be applicable under the formula provided in section 9 of the bill; and (4) whether or not Federal acquisition of the property in question has resulted in a financial hardship to the local taxing authority, and the extent of such hardship in terms of demonstrated financial loss.

With respect to the assessed value of the properties involved, although the cost to the Federal Government of each property is known, assessment practices in the thousands of assessment districts throughout the United States vary widely; and even in a single assessment district, the ratio of assessed value to full value may differ for similar properties. Finally, since each local taxing authority requesting payment under this act would be required to demonstrate to the Federal board that Federal acquisition has resulted in financial hardship, no estimate can possibly be made of the number of applications for payments which will be made or which applicants will qualify for payments. Furthermore, even if the Federal board finds that an applicant qualifies and hardship exists, the application of the formula contained in section 9 of the bill makes it impossible to provide a cost estimate, since no forecast may be made as to which factors will be applicable in a given case, which cases will be entitled to payments following the application of the formula, or the amounts which will finally be payable.

With the foregoing limitations in mind, the Bureau of the Budget has advised the committee that the payments for special assessments would probably range between $200,000 and $300,000 per year; payments for property leased or sold under conditional sales contracts might be in the neighborhood of several million dollars per year; and payments on commercial or industrial real property might run between $10 and $20 million annually. It was stressed, however, that the numerous individual differences and imponderables involved made these estimates more in the nature of a guess than a reliable estimate.

From the foregoing, it is clearly apparent that these questions can never be resolved by a general study, but can only be determined by an administrative board, on the basis of its consideration of all of the factors involved in each case which comes before it.

UNIVERSITY OF MICHIGAN LIBRARIES

Criteria of hardship

As previously shown, local taxing authorities would be entitled to payments in lieu of taxes on industrial or commercial real property acquired by the Federal Government after June 30, 1950, only where it can be shown that Federal acquisition or use of such property imposes financial hardship upon the local taxing authority. The determination of the existence of this hardship is left to the Federal administrative board, established by the bill, which is authorized to prescribe appropriate rules and regulations, and which would establish criteria of hardship for its guidance.

The committee felt that the board should have some leeway in the establishment of these criteria. However, it is the committee's intention and understanding that in determining whether financial hardship exists, the board will consider, among other matters, the following factors:

(1) The extent to which Federal acquisition or control has increased or decreased the volume of services necessarily rendered, and the amount of expenditures necessarily incurred by a taxing authority during any period for which payments are claimed;

(2) The extent to which such acquisition has increased or decreased the revenue resources available to such tax authority;

(3) The extent to which such acquisition or use have been demonstrated to have directly (*a*) increased to an unreasonable degree the tax burden of taxpayers of a tax authority, (*b*) diminished substantially the aggregate value of the real property included within the real property tax base of such tax authority, or (*c*) resulted in an overloading of the facilities and services of such tax authority;

(4) The extent to which such acquisition has resulted directly or indirectly in a general economic benefit to a tax authority by reason of the activity of Federal agencies; and

(5) The extent to which assistance from the government of the State is available to a tax authority in making financial readjustments to alleviate any distress occasioned by the acquisition, control or use of real property by Federal agencies.

Qualifications of Board Members

As indicated earlier, the program of limited payments and large-scale studies proposed by this bill would be administered by a five-member, bipartisan Federal Board for Payments to Local Governments, appointed by the President, subject to Senate confirmation. It is quite apparent that this body will have an enormous amount of work to do if it is to accomplish its very important mission. Aside from its quasi-judicial functions, its major responsibilities will relate to the case studies of local situations which it will be required to make, and to its formulation of recommendations with respect to the future policy of this Government in the field of Federal payments to local taxing authorities in lieu of taxes.

It is the committee's sincere hope that the President will appoint to this board individuals who are thoroughly qualified, by reason of background and training as well as some experience in the field of fiscal affairs or intergovernmental relations, in general, and Federal-State-local fiscal and tax relations, in particular.

CONCLUSIONS

S. 4183 represents the culmination of more than 7 years of continuing efforts by this committee to develop a program which would afford some measure of relief to local communities which have suffered losses as the result of the presence of Federal-tax-immune property in their jurisdictions, but which would not do violence to the principle of Federal tax immunity or constitute an undue burden on the Federal Treasury. Through the years, many hundreds of witnesses have been heard; many volumes of testimony have been compiled: and numerous reports have been made by interested groups and carefully studied by the committee.

Based upon these many years of study and consideration, the committee has come to the following conclusions:

1. There is an urgent need for immediate legislative action to relieve local taxing authorities from unjustified and inequitable burdens and hardships which have been imposed upon them as the result of large-scale Federal acquisition of various types of property which has operated to remove such property from the local tax rolls.

2. Because of the extremely complex nature of the subject and the many variables which are involved, it is not possible to devise a comprehensive program which will operate in a fair and equitable manner, and which is not likely to involve huge expenditures of Federal funds and possible "windfall" payments to communities which have actually been benefited rather than harmed by the presence of Federal installations.

3. The only equitable type of program which is possible is one in which payments are based upon individual cases and situations as they are presented and documented, and as information relative to each situation is compiled, evaluated, and assessed on its merits.

S. 4183 would provide for the beginning of such a program, on a 5-year trial basis. It would permit modest payments in limited areas and, in its major aspects, would permit payments only to those local taxing authorities which are able to show that, after weighing the benefits resulting from the presence of Federal installations against the burdens imposed on local taxpayers and local taxing authorities, they were still suffering financial hardship.

The committee desires to emphasize that, despite any statements to the contrary, this is most definitely not a giveaway program, it will not open the gates to unlimited and unrestrained payments by the Federal Government to local communities, and it is not discriminatory.

The committee has taken great care to incorporate in the bill adequate safeguards and various protective measures to insure that no community will receive payments to which they are not entitled. Some of these protective measures are: (1) a provision denying payment to any community which is receiving a Federal payment for the same property under another Federal program, and with respect to commercial or industrial property; (2) the 1950 cutoff date; (3) the requirement of a showing of demonstrable hardship; (4) a rigid formula for determining the amount of payments, in the event of a showing of eligibility and entitlement; (5) a provision that in no event can the Federal payment exceed an amount equivalent to the amount of the tax, had the property been privately owned by

UNIVERSITY OF MICHIGAN LIBRARIES

a taxable person; and (6) a provision that the Federal property will receive the same tax benefits offered by a taxing authority to private, taxable persons.

Any allegation that this bill is discriminatory is entirely without merit. It is true that the coverage of this bill is limited, and numerous communities will not receive payments if the Federal industrial or commercial property in their jurisdiction was acquired prior to June 30, 1950. However, without a cutoff date, the cost of this program would have been exceedingly high, and the 1950 cutoff date represents the beginning of a period of expanded Federal acquisition. Moreover, because the bill covers only a limited category of property, that does not make it any more discriminatory than the 55 existing laws which authorize some type of Federal payments to local communities, covering some and excluding others. Finally, it is stressed that this is not permanent legislation, although it may possibly point the way to permanent legislation. If there are defects in the operation of this program, as applications and evidence which are presented to the Federal administrative board are analyzed and developed, the board will make reports and recommendations to the Congress for improvements, and the Congress will then be in a position to make the final determination, in each area, based not upon abstract studies, but upon concrete, documented evidence.

It is the firm conviction of the committee that this program is extremely important in another connection. At the present time, the real property holdings of the Federal Government have reached enormous proportions and entail tremendous expenditures. If Federal agencies are required, in proper cases, to make such payments as are provided for in the subject bill, it should serve as an incentive to these agencies to dispose of numerous substantial holdings of commercial or industrial real property which should be in the hands of private industry and on the tax rolls of the communities in which they are located.

Finally, it may be stated that S. 4183 satisfies neither the opponents nor the proponents of a Federal payment-in-lieu-of taxes program. It is, however, a sincere effort to solve a most perplexing problem and to pave the way, in a realistic fashion, for such improvements as may be needed, based upon the 5-year experience under this program.

It is the committee's sincere conviction that S. 4183 is the beginning of a program which is reasonable and logical and will enable the systematic compilation on a case-by-case basis of information relative to the needs of each community in which Federal property is located. The administrative board established by the bill is required to report to the Congress concerning its activities every 6 months; and the comprehensive report required to be submitted within 2 years, based upon the cases adjudicated by it and the field studies conducted with respect to other types of cases, will furnish the Congress with a solid foundation upon which further policy determinations may be based.

SECTION-BY-SECTION ANALYSIS

Outline of bill

This bill consists of 10 sections, of which the first 3 specify a short title, declare the general policy and establish special definitions. Sections 4 and 5 establish a Federal Board for Payments to Local Govern-

ments and prescribe its duties. Section 6 establishes an Advisory Committee and prescribes its duties, and section 7 details the proceedings of the Board. Section 8 provides for payments to be authorized and contains certain limitations; section 9 provides for the determination of payments and section 10 authorizes necessary appropriations.

Section 1. Short title

The act may be cited as the Payments to Local Governments Act of 1956.

Section 2. Declaration of policy

Subsection (a) states that, although the United States is under no constitutional obligation to pay taxes or make financial contributions in lieu of taxes to States or local subdivisions thereof with respect to Federal property, the Congress declares that it is national policy to avoid demonstrable financial hardship upon such local governments caused by the exemption of Federal real property from taxation by local governments, and declares it to be the policy of the United States to make contributions to local governments in lieu of (1) special assessments levied after the effective date of the act, (2) taxes on the interest of the Federal Government in real property leased or sold under conditional sales contracts to taxable persons, and (3) taxes on real property removed after June 30, 1950, from the tax rolls of local governments by reason of acquisition or use by the Federal Government for industrial or commercial purposes, where the Federal acquisition or use imposes financial hardship on the local government.

Subsection (b) declares that, in consideration for the payments authorized, the Congress expects the recipients thereof to make available to the Federal Government, its property and its officers and employees, and their families, all public services normally provided by them, upon the same terms and conditions as such services are made available to or with respect to other property and individuals.

Section 3. Definitions

Some words and phrases in the bill are defined restrictively or used in a special sense. Some of these are as follows:

"Federal agency" means any department, agency, officer, or independent establishment in the executive branch of the Government of the United States, and any corporation now or hereafter subject to the provisions of the Government Corporation Control Act (31 U. S. C. 846).

"Federal property" means any real property the legal title to which is held by the United States or any Federal agency.

"Controlling agency," when used in relation to any Federal property means the Federal agency which is charged with the duty of administering such property.

"State" means any State of the United States (District of Columbia is excluded).

"Tax authority" means any county, city, municipality, tax district, or other political subdivision or public entity of any State having authority under the law of such State to levy within its territorial jurisdiction any tax or special assessment upon real property.

"Tax" means any tax of general application levied according to value by any tax authority upon real property situated within its territorial jurisdiction, but does not include any tax levied upon the

UNIVERSITY OF MICHIGAN LIBRARIES

manufacture, purchase, sale, transfer, or use of any property, or any income derived from any property.

"Special assessment" means any levy, other than a tax, imposed after the date of enactment of this act by any tax authority directly upon real property situated within its territorial jurisdiction to defray the cost of any public improvement.

"Real property," when used in relation to any tax or special assessment, means any interest in land, and any improvement thereon, if such interest or improvement constitutes real property under law in effect within the tax authority imposing such tax or special assessment.

"Industrial or commercial use," when used in relation to any Federal property, includes any use made of such property for (1) the mining, manufacturing, fabrication, or repair of any article or commodity, (2) the generation of electrical energy, (3) the transportation of individuals or property, (4) the sale or leasing of any property, commodity, or service, and (5) the storage of property incident to any of the uses heretofore enumerated, but does not include the use of any such property for (*a*) the housing of individuals for which rent is received, (*b*) the storage of any agricultural commodity, and (*c*) any purpose for which the property, if privately owned or used, would by reason of its use be exempt from tax under laws applicable within the tax authority of its situs.

Section 4. Federal Board for Payments to Local Governments

This section establishes a bipartisan Federal Board for Payments to Local Governments, composed of five members, appointed by the President, subject to Senate confirmation, who would serve at the pleasure of the President. They would receive annual salaries equivalent to the salary of the Commissioner of the United States Court of Claims ($14,800), and would not be permitted to engage in any other business. The chairman of the Board would be designated by the President; a vacancy in the Board would not impair the right of remaining members to exercise all of the Board's powers; and three members would constitute a quorum. The Board would be authorized to appoint and fix the compensation of such personnel as may be necessary for the performance of its functions, subject to the civil-service laws and the Classification Act of 1949; to make such rules and regulations as may be necessary for the performance of its duties; and to procure the services of consultants at rates not exceeding $50 per day. It would cease to exist on December 31, 1963.

Section 5. Duties of the Board

Subsection (a) requires the Board to prescribe required uniform rules, regulations and forms for the filing by tax authorities of applications for payments authorized by the act, the examination of such applications and the conduct of hearings thereof, and the determination of action to be taken upon such applications.

Subsection (b) provides that when any application is filed by one or more tax authorities, the Board shall examine such application to determine whether it states a probable basis for the making of any such payment, and if such probable basis is found to exist, to conduct a full and fair hearing upon such application. Upon the basis of evidence received at such hearing or obtained by field investigations authorized by subsection (c), the Board is required to prepare its re-

port setting forth its findings of fact and conclusions as to the merits of such application; and then enter its order thereon, prescribing the amount, if any, awarded to each applicant, and the portion thereof to be paid by each controlling agency administering real property chargeable in whole or in part for such award.

Subsection (c) requires the Board, from time to time, either on its own motion or upon application by one or more taxing authorities, to conduct such studies and investigations, including field investigations, as it deems advisable, with regard to (1) fiscal and other problems of tax authorities arising out of Federal immunity from liability for payment of real and personal property taxes imposed by such authorities; (2) the extent to which such authorities derive benefits directly or indirectly from Federal payments under other provisions of law providing for payments of taxes, in lieu of taxes, grants-in-aid, sharing of revenues derived from properties of the United States, and the furnishing of services or facilities by the United States; and (3) the extent to which tax authorities derive benefits, directly or indirectly, through payments made to such authorities by persons residing or employed upon Federal property and for and in connection with any property, trade, business, occupation, or transaction situated or occurring upon Federal property.

Subsection (d) requires the Board, every 6 months, to submit to the President, for transmittal to the Congress, its report concerning its operations during such period, containing full and complete information concerning applications received and payments ordered by the Board during such period, together with such other information as may be helpful to the Congress in evaluating the operation of the act, and all other provisions of law authorizing payments of taxes, or in lieu of taxes, to States and to tax authorities.

Subsection (e) requires the Board, not later than 2 years after the enactment of the act, to submit to the President, for transmittal to the Congress, a report detailing its recommendations on the necessity for a continuing policy for the compensation of tax authorities for losses sustained incident to the presence of tax-exempt Federal property within their territorial jurisdiction, accompanied by appropriate proposed legislation to carry the program into effect. This report is required to be accompanied by appropriate proposed legislation to carry into effect any pertinent recommendations and shall include specific recommendations with respect to the future treatment of properties for which payments are temporarily authorized under Public Law 388, 84th Congress.

Section 6. Advisory Committee

Subsection (a) provides for the establishment by the President of an Advisory Committee on Payments to Local Governments, composed of 12 members appointed by the President, of whom 6 would be officers or employees of Federal agencies, and 3 each from State governments and local tax authorities; 1 member would be designated by the President to serve as chairman.

Subsection (b) provides that this Committee would have the duty of (1) studying the administration of the act and all other Federal legislation authorizing Federal payment of taxes or in lieu of taxes to local tax authorities, and problems arising in connection therewith; (2) consult with the Board, upon its request, in an advisory capacity in the solution of such problems; and (3) transmit from time to time

UNIVERSITY OF MICHIGAN LIBRARIES

to the Board, and the President for transmittal to the Congress, a report summarizing the results of its studies, together with its recommendations for administrative or legislative changes which it may consider necessary or desirable for the efficient, economical, and equitable administration of such provisions of law.

Subsection (c) provides that committee members who are Federal officers or employees would receive no additional compensation for services rendered under the act; all others would receive compensation not in excess of $50 for each day of service, as the President may prescribe; and all members would be entitled to reimbursement for necessary travel and other expenses incurred in the performance of their duties under the act.

Section 7. Proceedings of the Board

Subsection (a) authorizes the Board, or any authorized member thereof or examiner designated thereby, to conduct any hearing or investigation authorized by the act; to administer oaths and affirmations, examine witnesses and receive evidence anywhere in the United States; and to require by subpena the attendance and testimony of witnesses and the production of documentary evidence relevant to the matter under inquiry. Attendance of witnesses and the production of documentary evidence may be required from any place in the United States at any designated place of hearing; and witnesses summoned shall be paid the same fees and mileage paid witnesses in United States district courts. The Board is authorized to invoke the aid of any district court in the event of disobedience to a subpena, in requiring attendance and testimony of witnesses and production of documentary evidence; and such district court may, in the event of contumacy or refusal to obey a subpena issued to any person, issue an order requiring such person to appear and produce documentary evidence, if so ordered, and to give evidence relating to the matter in question. Failure to obey such a court order may be punished by such court as a contempt thereof.

Subsection (b) requires hearings of the Board to be public, and provides that each applicant in any proceeding shall have the right to present its case with the assistance of counsel, to offer oral or documentary evidence, submit rebuttal evidence, and conduct such cross-examination as may be required for a full and true disclosure of the facts. An accurate stenographic record is required to be taken of the testimony of each witness, and a transcript of such testimony must be filed in the office of the Board.

Subsection (c) provides that upon entry of the Board's order upon any application for payment under this act, the Board shall give notice thereof to each tax authority which was a party to such application; each such order will become final 60 days after its entry, unless the Board during such period has granted a rehearing upon request of any applicant who joined therein; not more than one rehearing may be granted upon any application; and an order entered by the Board after a rehearing shall become final upon its entry. The Board is required to transmit a certified copy of each final order to each tax authority joining in the application upon which such order was entered, and to each Federal agency charged thereby with the payment of any part of any award made thereby.

Subsection (d) provides that each final order of the Board shall be final and conclusive upon all tax authorities and all Federal agencies,

and shall not be questioned by any court or any accounting officer of the Government.

Subsection (e) authorizes the Board to secure from any Federal agency any information necessary to carry out its functions under this act; and each Federal agency is authorized to furnish such information to the Board upon request.

Section 8. Payments authorized

Subsection (a) provides that in accordance with the policies declared in section 2 of this act, and upon application made by one or more tax authorities with respect to one or more parcels of Federal property situated within the territorial jurisdiction of such authorities, the Board shall order payments to be made to each such authority in such an amount, if any, as the Board determines to be payable under section 9.

Subsection (b) requires that each application for payments shall specify the Federal property with respect to which claim is made for payment, the basis upon which such claim is made, and the period of time for which such claim is made.

Subsection (c) provides that each application for any payments made by any tax authority under this act shall be for a period not in excess of 12 months, beginning not earlier than January 1, 1957, and ending not later than December 31, 1961. It provides further that no more than one application may be filed with the Board for any period with respect to the same Federal property; and no application for any period may be filed after 6 months following the end of such period.

Subsection (d) prohibits payment under this act with respect to any parcel of Federal property for any period for which a tax authority is eligible to receive Federal payments with respect to the same property under any other provision of law authorizing payments of taxes or in lieu of taxes on real property, or under any revenue-sharing arrangement. Finally, nothing contained in the act shall bar the making of any payments under any other provision of law or revenue-sharing arrangement. (This is to insure that no tax authority will receive any payment under this act on property for which it is already eligible for Federal payments under any existing programs, and that this act will in no way affect such existing programs.)

Subsection (e) requires that upon certification by the Board to any Federal controlling agency of any final order awarding any payment to any tax authority under this act, such Federal agency shall pay such award from funds appropriated to such agency in the amount specified in the award.

Subsection (f) provides that the failure of any Federal agency to make timely payments authorized with respect to any Federal property would not subject such agency or any purchaser of property from such agency to the payment of any tax, penalty or penalty interest, or other charges. Likewise, it would not subject the Federal property to any lien, attachment, foreclosure, or other proceeding not specifically authorized by the act.

Section 9. Determination of Amount of Payments

Subsection (a) establishes three categories under which payments may be made under the act and provides that a tax authority may claim under one or more of these categories, and may collect the aggregate amount to which it can show entitlement. The first of

UNIVERSITY OF MICHIGAN LIBRARIES

these relates to special assessments, levied after the enactment date of the act, if such assessment was also levied upon real property owned by taxable persons; payments in this category would be the amount payable if such property were owned by private, taxable persons. The second category relates to real property leased or sold to private persons under a conditional sales contract; payments in this category would be the amount of tax which would be payable by a private, taxable person, diminished by the amount of any real-property tax payable by any lessee or purchaser with respect to such property for such period. The third category relates to real property acquired by the Federal Government after June 30, 1950, and which is devoted to or held for predominantly commercial or industrial use.

Subsection (b) provides that with respect to property in the third category, the amount payable, if any, would be a sum equal to "the nominal Federal liability," defined as the amount of real property tax which would have been payable if the property had been owned by a taxable person; increased by "the specific Federal liability," defined as the aggregate amount of the expenditures necessarily incurred by a tax authority during the tax period in furnishing directly to or on behalf of such property any facilities or services of kinds not customarily furnished by such tax authority to or on behalf of other properties of like class; and reduced by "the credit against Federal liability," defined as the aggregate value of governmental services of kinds normally furnished by tax authorities which, during such period, were furnished within the territorial jurisdiction of such tax authority by Federal agencies controlling such property; and further diminished by any additional credit against the Federal liability resulting from any exemption, immunity or reduction in the tax rate or amount, if such are available, with respect to real property under State or local law, to private persons as an inducement to engage in industrial or commercial activities within the territorial jurisdiction of the particular tax authority.

Subsection (c) provides that no payment determined by the Board to be payable to any tax authority with respect to any Federal property shall exceed the amount which would be payable if such property had been developed and used by a taxable person for a typical private industrial or commercial use, either within the jurisdiction of that tax authority or in nearby comparable communities.

All payments authorized by this section will be made subject to the limitations and qualifications contained in section 8.

Section 10. Appropriations

This section authorizes appropriations to each Federal controlling agency, such sums as may be required for the discharge of its duties and obligations under this act.

90004°—57 S. Rept., 84–2, vol. 4——77

UNIVERSITY OF MICHIGAN LIBRARIES

MINORITY REPORT

This legislative proposal (S. 4183) opens up a vast, unrestricted, undefined new program of annual expenditures by the Federal taxpayers through their central Government. It seeks to provide Federal payments "in lieu of taxes" to certain urban communities whose problems have developed since 1950 and to initiate a type of Federal expenditure which is certain to expand rapidly and widely, without first measuring and defining the potential costs involved or the final destination to which this new fiscal path will inevitably lead.

We, the undersigned members of the Committee on Government Operations, therefore feel compelled to file minority views on S. 4183 for reasons which we believe, in all sincerity, are most compelling.

At the outset, we desire to make it perfectly clear that, with the majority, we are convinced that there is an urgent need for legislative action to relieve local taxing authorities from certain types of unjustified and inequitable burdens and hardships imposed upon them as the result of large-scale Federal ownership of various types of property, which acquisition has operated to remove such property from the local tax rolls. The need for a comprehensive program of uniform action in this field has long been apparent and has been recently pointed up and documented by the excellent report and studies of the Commission on Intergovernmental Relations.

It is our sincere judgment, however, that the subject bill, S. 4183, fails to accomplish this objective, and would serve only to complicate further an already complicated situation, without granting appropriate relief to many of the hard-pressed local taxing authorities, now suffering from precisely the same problems this legislation proposes to correct for a favored few.

For the reasons set forth below, we are firmly of the opinion that we would be derelict in our duties and obligations to the American people, as responsible legislators if we were to lend our support to the pending measure:

1. *The Congress does not have the requisite information upon which to act at this time.*

S. 4183 provides for a 5-year program of (1) payments in lieu of taxes on industrial and commercial property acquired by the Federal Government since June 30, 1950, provided the local taxing authority can show that Federal acquisition has resulted in demonstrable hardship; (2) for payments of special assessments levied in urban communities after the date of enactment of the act; and (3) for payments in lieu of taxes on real property leased or sold to taxable persons under conditional sales contracts.

Although it would commit the Federal Government to making payments to local taxing authorities in the cases listed above, the Senate has no reliable information before it with respect to either the properties which would be covered by the subject bill or the potential cost of the program.

We recognize, of course, that it is difficult to determine the precise cost to the Federal Government of special assessments which local taxing authorities may levy on Federal real property in the future; we realize also that the potential cost of payments on property leased or sold under conditional sales contracts may also be difficult to obtain. The majority states that no cost estimates are provided because it is *impossible* at this time to obtain such estimates. We know, however, that cost estimates with respect to industrial and commercial property covered by S. 4183 can be obtained once these properties are identified; and we *know* that this information is *presently available* and can be ascertained by *a proper study* of these reports, and analyses already compiled by the GSA.

We therefore strongly disagree with the majority. It is our firm conviction that cost estimates can be obtained if a proper study is made of the coverage and scope of the pending bill. Such a study would enable the Congress to determine whether the costs of the program proposed would impose an unconscionable or undue burden upon Federal taxpayers and to effect adjustments which would keep the costs at a reasonable level, in order to insure that the Federal Treasury would be adequately protected.

To take action now on a bill which may cost the Federal Government several hundreds of millions of dollars during the next 5 years, without any firm indication of the precise extent of this obligation, would, in our judgment, demonstrate a lack of responsibility on our part and a dereliction of our solemn obligation to the Federal taxpayers.

Until such time as the Senate has before it the necessary information to enable members of the Senate to assess the full scope and coverage of the program proposed by the subject bill, as well as reasonably accurate cost estimates, the Congress is not in a position to legislate. Certainly, no private enterprise in the world would undertake even a 5-year program without full knowledge of its extent and its costs. We know of no compelling reason why the Federal Government should depart from the practices of private business in this respect.

It should be emphasized that the passage of this legislation would establish a precedent for new Federal payments to communities from which it would be difficult if not impossible to retreat. Once started, the pressure would all be for the almost endless expansion of this concept of Federal payments to local communities with similar conditions or to other communities with different problems of like intensity and need. Once the Congress starts out on this uncharted sea of Federal expenditures, we shall find we have opened a virtual Pandora's box of related requests. Today, even the Bureau of the Budget and the majority members of the committee who voted to report this bill are unable to designate a figure naming the potential annual payments by the Federal Government which would be required if this legislation is adopted. Before the Senate enters upon such a voyage into the great unknown, we believe Congress should insist on establishing some points of reference and a chart clearly depicting to the Congress and the country whither we are actually bound.

2. *S. 4183 is a discriminatory measure which will benefit certain urban communities without affording any relief whatever to the large majority of hard-pressed local taxing authorities, especially in rural communities.*

As previously pointed out, the subject bill would provide payments in a very limited class of cases and to a very limited number of communities. Payments are limited, for the most part, to industrial or commercial properties acquired by the Federal Government after June 30, 1950. Payments for special assessments are limited to "urban and suburban areas," thus completely ignoring similar problems in rural areas and the many serious problems created by vast Government holdings in our so-called public land States. In justification of this formula, the majority states that the limitation as to coverage is necessary to keep the costs down. It is our position that if this bill is designed to remove inequities, this limitation on coverage and date of Federal acquisition is completely unacceptable. Not only does it discriminate, without justification, against communities in which other types of Federal tax-exempt holdings are located, but it sets a completely arbitrary date limitation.

The Senate has not been furnished with any information which would justify making payments on a limited class of real property acquired by the Federal Government after June 30, 1950. We know of no reason why those communities which have Federal tax-exempt personal property, inventories, and other types of real property acquired prior to 1950 should not be given the same treatment and consideration, if they are able to demonstrate that the presence of Federal holdings and activities has resulted in serious fiscal and financial burdens for which they could be entitled to some relief as provided for properties covered by the bill.

In our opinion, the Congress would be violating its public trust if it were to enact legislation which would in effect increase the taxes of communities suffering economic hardships created by Federal installations established in 1948 or 1938 or 1928, or in some other year, in order to enable the Federal Government to make cash payments in lieu of taxes to certain other favored communities suffering identically the same economic hardships created by Federal installations established in 1952 or 1954 or in some other year after the rather mystic but completely arbitrary date of June 30, 1950. What right have we as the peoples' representatives to use the Treasury of all the people as a device for penalizing some so that others might profit?

It is our conviction that like circumstances should be treated with like remedies when they are caused by identical activities of the Federal Government. We reject the argument that "1950 should be used as a cutoff date so that the initial charges against the Federal Government will not be too great." To us, that indicates clearly that eventually it is expected that the act will be expanded. We wonder, how far? And at what great cost? And if communities with problems created prior to 1950 have equal claim against the Government for succor with those included in the convenient "after June 30, 1950" demarcation, why are not their problems considered at the same time?

Perhaps legally, Congress has the right to "pick and choose" by the selection of a calendar date but morally we believe we have the responsibility to meet like problems with like correctives, especially in a matter which by involving the Federal Treasury in an unmeasured and immeasurable program of expenditures is tantamount to adding indirectly to the tax burdens of all our people.

Finally, this bill gives no consideration to rural needs as against urban needs. Industries are usually located in urban areas. Other

UNIVERSITY OF MICHIGAN LIBRARIES

types of Federal activities, which are not covered under this bill, such as Indian reservations; game refuges; airbases; Army camps, posts and stations; and Federal grazing lands, are usually located in rural areas. Yet this bill would afford payments in lieu of taxes without affording any relief to hard-pressed rural communities. For example this bill would permit urban and suburban communities to make assessments against Federal property for sewer improvements, curbs and gutters, etc., but would not permit assessments against public land held by the Government for weed control, road maintenance and other services.

It is our firm opinion that any legislative action which may be taken with respect to this problem must give the same consideration to both urban and rural needs and should not be limited to one small class of properties which are usually located in urban areas. In short, what is needed is a long-range, comprehensive program, designed to treat all areas alike. Such a program, however, is only possible if we have the necessary facts and statistics upon which to base it. As noted previously, this information is available. All that is required is an accurate and complete study as to the extent of coverage that is necessary to provide equitable and essential legislation, and as to the cost factors involved, which we believe can be completed within the next 6 to 8 months. We would then be able to produce legislation which would be comprehensive in coverage and scope and would give relief to all distressed communities alike, regardless of the type of Federal property located within their respective areas, without regard to any artificial date of Federal acquisition, and without discrimination against rival areas.

The Senators preparing this minority report believe additional exploration, study, and analysis of all statistical information already compiled is required before Congress can act prudently or properly in writing and approving legislation on this very complicated subject. We propose later in this report a substitute measure providing for the compilation and submission of this information. What is needed, we believe, is not a quick step into the dark in a generous but injudicious effort to be of help to some, but a completely comprehensive piece of legislation which will meet all facets of this problem for once and for all in an effort to bring equity to all. Our laws in this area should rest on concepts of uniform treatment for like problems rather than on the capricious selection of a calendar date which divides "those who will have to pay more" from "those who will receive more from the Government," even though they confront identical problems created by precisely the same activities of the Federal Government of which they are all a part. The legislation required to meet this problem should be based on concepts of equity rather than on any plan which would evade major facets of the problem. What we need is legislation based on full study of all phases of all problems in this area which will fairly and properly relate urban and rural problems, old problems and new problems, and all aspects of the longstanding question of the extent to which the Federal Government should permit itself to be billed for payments in lieu of taxes on the vast and growing body of public property, public domain, and public holdings which is in the as-yet untabulated and unreported inventory of Uncle Sam's holdings. This, we believe, can and should be done. But passage of S. 4183 as reported to the Senate, as a part-time, part-help measure for some of the problems could well delay the enactment of the type

of overall legislation required to bring together in one place for all to see and understand the relationships of the Federal Government in this field to the State and local Governments. Before establishing firm precedents which could permanently commit us, we should first see and understand the full size of the complete problem.

3. *This bill fails to provide for effective congressional review.*

S. 4183 provides for the establishment of a five-member Federal board which would exercise quasi-judicial functions. It would require that the Board shall receive applications for payments in lieu of taxes from local taxing authorities and issue orders directing the Federal owning agencies to make payments in amounts to be determined by the Board. The Board's decisions would be final and compelling.

The effect of such a provision is to give a five-member Federal Board the authority vested by the Constitution of the United States in the Congress, since once the Board ordered a payment to be made, the Congress would be obligated to comply and to appropriate the funds. Thus, the Congress and its Appropriations Committees would be relegated to a position of "rubber stamps," and deprived of their control over the resulting expenditures.

Such an abrogation of congressional responsibility is completely unjustified. To deprive the Congress of the United States of its constitutional responsibility for the protection of the Federal Treasury can never be justified, and no bill which would permit a Federal board to make final determinations with respect to the amounts of Federal funds which should be paid out, without any opportunity on the part of the Congress to review such expenditures, should be permitted to become law.

An abrogation by Congress.—We call to the attention of all Senators, but especially those on the committees on finance and on appropriations, that not only once but several times the proposed legislation makes it clear that there is to be no congressional review of the decisions of the Board which the bill proposes to create. Once Congress has set this costly machine in motion, it completely loses control over the speed with which it moves or the expenditures which it creates.

There is not even the customary budgetary control by the Bureau of the Budget. There are no further determinations to be made by the Committee on Finance or by the Committee on Appropriations. All they can do is to provide the money that the Board orders to be paid by the Federal agencies involved. The bill is so drawn, even, that the agencies are ordered to make the payments from funds already appropriated where possible so that henceforth Congress stands by as a helpless "kibitzer" while the Board decides which communities participate and which are excluded, and as the Board makes what in effect are these great potential appropriations which under our Constitution it was expected only the Congress had authority to make and for which Congress should assume the responsibility.

4. *S. 4183 fails to provide any criteria which the Federal board would be required to follow in determining whether a local taxing community has demonstrated financial hardship.*

S. 4183 authorizes a Federal board to make payments to local taxing authorities for industrial or commercial-type real properties acquired by the Federal Government after June 30, 1950, where the Federal acquisition or use can be shown to have imposed a *financial hardship* on such communities. However, nowhere in the bill is

UNIVERSITY OF MICHIGAN LIBRARIES

there any indication of what is meant by a *financial hardship.* On the contrary, this determination is left entirely to the discretion of the board, which is empowered to establish rules and regulations governing the determination of actions to be taken upon applications presented.

The effect of this omission is to vest in an administrative agency absolute authority to establish the standards upon which it will make payments to local communities as well as to the amount of payments it will make.

To establish an administrative body and to vest in it such absolute powers, without providing statutory guidelines in the form of criteria and some specific limitations on the amount of Federal funds it can expend, is a complete departure from sound legislative practice and constitutes nothing less than an unheard of and unwarranted abrogation by the Congress of its constitutional taxing and appropriating authority. Such procedure is not only of doubtful wisdom and legality, but it also sets a precedent for future action which may return to plague the Congress in the future.

5. *S. 4183 would enable communities which exerted much effort and pressure to obtain Federal installations to obtain payments from the Federal Government because of the presence within their boundaries of such installations.*

It is a well-established practice of many communities to exert much pressure and effort to induce the Government to construct various types of Federal installation within their boundaries, and many communities devote much time and effort to this practice. The advantages to a community of the presence of a large Federal defense or industrial installation are, of course, well recognized. Not only do they add materially to the prosperity and the general economy of the area, but they also constitute new sources of revenue in the form of income, personal property, and real property taxes received from increased income earned by residents of the community and from large numbers of new taxpayers who are brought into the community as employees of the installation. Although the presence of such plants often requires communities to furnish additional services in the form of schools, police and fire protection and water and sanitation facilities, the costs involved are usually more than offset by the increased income and by the taxes which are paid to the State and community as a direct result of the locations of the plants in the selected area. Nevertheless, under the pending bill, if such communities were able to make any showing that the presence of such installation resulted in financial hardship, they would be entitled to payments as an additional cash dividend added to the other economic advantages and benefits brought to the community for being chosen as the site for an important Federal installation.

It is our firm position that when a community outbids other communities by making all sorts of concessions and offering a variety of inducements to the Federal Government to locate an industrial installation in its midst, that community should not be permitted to come to the Federal Government for payments in lieu of taxes to compensate for alleged financial hardships of which they should have fully anticipated, but now assert have resulted from the presence of the Federal installation. Furthermore, these installations often replaced a vacant warehouse or an empty lot from which the community has previously received little or no revenue. In effect, the bill thus establishes a

precedent which would likely plague the Government in the future, since such communities would become convinced that they would be relieved of any necessary costs to the community in supplying services to the installation upon the showing of financial hardship, regardless of the economic benefits that accrue to the State and the community.

It would seem a simple matter of justice and equity that legislation of this type should not make it possible to reward the successful community bidding for a Federal installation by then giving it payments in lieu of taxes, after the novelty of the new development wears off and the problems begin to appear, and to further injure the non-successful community bidder by causing it to pay higher Federal taxes so that some of the income from its citizens could be syphoned off through the Federal Treasury to the community that successfully outbid it when invitations were extended for the Federal installation. But this legislation as proposed stands mute on this matter. Should it be enacted, communities could well promise the moon when urging Federal officials to locate a Federal installation in their environs, and then return to the Federal Government a few years later to seek their Federal bonus in lieu of taxes to pay for the services so enthusiastically promised while competing for the new development.

We want specifically to acknowledge the existence of some community problems created by Federal installations which were not invited in, but which were caused because the Federal Government insisted on locating a certain installation in some specified area. Clearly in these cases, equity rests with the local community and certain compensatory Federal payments are merited in lieu of taxes to to meet the problems created by this Federal action. We believe legislation should be enacted to meet these problems directly. We favor its inclusion in the overall legislative approach which we propose as a substitute. But in simple candor we must meet our responsibilities as legislators by pointing out that the pending legislation is not limited to situations of this type nor to hardships which are caused by Federal intrusion into a contented community as against those which come as easily anticipated difficulties along with the constructive and helpful effects envisioned when communities send delegations to Washington seeking Federal installations in their areas.

6. *Amendment in the nature of a substitute proposed by the minority.*

We of the minority desire to reemphasize and reiterate our serious concern over the financial plight of local taxing authorities which are suffering actual financial hardships as the result of Federal acquisition of various types of property, which acquisition or ownership was not solicited locally and has operated to remove such property from the local tax rolls. We are convinced, however, that much-needed relief can only be furnished by the establishment of a comprehensive program which will equitably provide for payments to all communities which can show that the presence of Federal property within their boundaries has caused them to suffer financial hardships. Such a program must be equitable and nondiscriminatory; it must be based on uniformity of treatment and not upon artificially established categories of property or cutoff dates which bear no relationship to the situation. It must treat problems of the same cause and nature with the same remedies regardless of calendar date and regardless of whether the problem is created in an urban or rural community.

The Commission on Intergovernmental Relations found that at the present time the great majority of Federal agencies have no general

UNIVERSITY OF MICHIGAN LIBRARIES

authority to make payments in lieu of taxes on their properties; that existing provisions of law are quite diverse and result in different treatment for similar properties of various agencies. Thus, on some classes of property, some agencies pay taxes; others make payments in lieu of taxes; and still others make no payments at all.

According to the latest available information, there are presently on the books some 55 laws dealing with Federal payment of taxes or in lieu of taxes, or shared revenue arrangements. Of this number, some 20 provide for a sharing of revenue between Federal and State and local governments; 18 authorize payments in lieu of taxes; and 17 authorize the payment of direct taxes. The situation is clearly a patchwork or crazy quilt which requires comprehensive action if the Federal Government is to administer the program intelligently and assume its proper responsibility in these matters. The pending bill would merely add another patch, a 56th law to the present hodgepodge of unrelated laws on this complicated problem.

The amendment proposed by the minority would lay the foundation for the development and establishment of an organized, comprehensive program, designed to treat in like manner all communities, whether rural or urban, which have like problems. Because of the clear lack of adequate information upon which to base such a program, it is our judgment that a study must be made, making use of all of the valuable materials and studies which are now available.

The substitute amendment which we propose would establish a Federal interdepartmental commission, headed by the Director of the Bureau of the Budget and representatives of the Department of Defense, Justice, Interior, and Agriculture, and the Office of Defense Mobilization, General Services Administration, and the Veterans' Administration, as well as representatives of such other departments or agencies as the President may deem advisable. This Commission would be required to make a comprehensive study of all of existing legislation dealing with payments by the Federal Government of taxes, or in lieu of taxes, and special assessments, as well as payments made pursuant to revenue-sharing agreements, grants-in-aid and other related programs where some Federal responsibility may exist, in either rural areas or in urban communities.

The Commission would be required to submit to the President, for transmittal to the Congress, on or before March 1, 1957, a comprehensive report detailing its findings with respect to the nature and effect of previous enactments and its recommendations concerning the extent, if any, to which there is need for new legislation to provide additional financial assistance uniformly and under like circumstances to State and local governments to relieve hardship incident to the tax-exempt status of Federal property, with specified formulas and criteria for application of the program. The Commission would place before Congress the exact and measured dimensions of the whole problem created by Federal ownership or operation, as it pertains to the tax income of States and local communities. It would include a recapitulation of problems, for example, caused by Federal Indian reservations, by the land utilization program in many Western States, by forest lands, game preserves, and similar Federal holdings, along with any needed proposals for adjusting and providing payments in lieu of taxes which would be related equitably and fairly with proposals for such payments on Federal holdings in city areas.

In short, it would provide Congress and the country with the whole picture at one time, and place proposals to meet any Federal responsibilities in this area in one reconcilable pattern of payments, rather than simply adding one additional and unprecedented payment-proposal of unpredictable size and cost to an already far too complicated labyrinth of legislation in this field. The Commission would cease to exist upon transmission of its report to the Congress.

CONCLUSION

It is our sincere judgment that such a study as that proposed by our amendment would furnish the Congress with the vital information needed to enable it to legislate promptly, intelligently, and comprehensively. It would occasion no delay, so far as communities are concerned, since any legislation considered by the Congress in the next session could provide a retroactive date for the program to begin January 1, 1957, should it be considered the appropriate action. Even though Congress in the closing and crowded days of the present session were to rush through a hastily and inadequately considered bill such as S. 4183 in its present form, payments to the favored selected communities could not begin before next year at the earliest.

Our proposed substitute would afford an opportunity for a realistic approach to a most complex problem and would not merely add an additional patch to the existing crazy quilt.

The advantages to be gained by the adoption of the substitute amendment are of such great importance that we urge its adoption. It would enable the Congress to have from an official and fully responsible interdepartmental commission all of the essential facts and cost factors available upon which to base an equitable program for payments in lieu of taxes, after the development of accurate and complete related information. This procedure would be clearly preferable to the adoption of a restricted program admittedly based on theory and on imponderables which have not yet been adequately evaluated. We believe this proposal to create a responsible official factfinding commission is also preferable to trying to present and consider during the crowded, closing days of this session all of the needed amendments required by the committee bill if it is to provide equity for rural as well as urban problems and for all communities confronted by like problems whether originating before or after June 30, 1950.

For these reasons, we urge the rejection of S. 4183 and the adoption of the substitute proposal in lieu thereof which we have offered as a prudent, constructive, and positive approach to the problems which we all recognize, even though none of us today is able either to enumerate their quantity or to estimate the cost of their correction. No time need be lost by first getting the facts to which we are entitled, and much expensive embarrassment may be avoided if we get the official interdepartmental figures and recommendations before we venture out beyond the line of no retreat.

KARL E. MUNDT,
United States Senator (South Dakota).
THOS. E. MARTIN,
United States Senator (Iowa).

UNIVERSITY OF MICHIGAN LIBRARIES

AMENDMENTS Intended to be proposed by Mr. MUNDT to the bill (S. 4183) to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property, and for other purposes, viz:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That this Act may be cited as the 'Commission on Payments to State and Local Governments Act of 1956'.

"DECLARATION OF PURPOSE

"SEC. 2. (a) Although the United States is under no constitutional obligation to pay taxes, or to make financial contributions in lieu of taxes, to any State or to any political subdivision or instrumentality thereof with respect to any property of the Federal Government, the Congress has recognized that the exemption of Federal property from taxation by State and local governments has worked hardship upon such governments in a number of instances, and heretofore has enacted a number of legislative measures providing relief in varying forms for such governments.

"(b) It is the purpose of this Act to provide for a comprehensive study of the nature and effect of such previous enactments, and for an investigation to determine the nature and effect of any further legislation which may be required for the relief of State and local governments from such hardship.

"(c) It is hereby declared to be the policy of the Congress that no such additional relief shall be made to any State or local government with respect to any Federal property devoted to any Federal activity the establishment or retention of which within the territorial jurisdiction of such State or local government at any time has been solicited by such State or local government.

COMMISSION ESTABLISHED

"SEC. 3. (a) There is hereby established within the executive branch of the Government a Commission on Payments to State and Local Governments (referred to hereinafter as the "Commission").

"(b) The Commission shall be composed of—

"(1) the Director of the Bureau of the Budget, who shall serve as chairman thereof;

"(2) one representative of each of the following departments and agencies of the United States Government, each of whom shall be designated by the head of the Department or agency represented by him from officers or employees of such department or agency: the Department of Defense; the Department of Justice; the Department of the Interior; the Department of Agriculture; the Office of Defense Mobilization; the General Services Administration; and the Veterans' Administration; and

"(3) one representative of each other department or agency of the United States Government named by the President, each of whom shall be designated by the head of such department or agency from officers or employees of such department or agency.

"(c) The Commission shall select a vice chairman from among its members. A majority of the members of the Commission shall con-

stitute a quorum. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

"(d) Members of the Commission shall serve without compensation in addition to that received for their services as officers or employees of departments and agencies of the Government, but shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties of the Commission.

"STAFF OF THE COMMISSION

"SEC. 4. (a) The Commission may appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of the civil-service laws and the Classification Act of 1949, as amended.

"(b) The Commission may procure, without regard to the civil-service laws and the classification laws, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the Act of August 2, 1946 (60 Stat. 810; 5 U. S. C. 55a), but at rates not to exceed $50 per diem for individuals.

"DUTIES OF THE COMMISSION

"SEC. 5. (a) The Commission shall conduct a comprehensive study of the nature and effect of all previous enactments of the Congress providing for—

"(1) the payment to any State or local government of any tax or special assessment with respect to any Federal real or personal property;

"(2) the making of any payment to any such government in lieu of the payment of any tax or special assessment with respect to any such property; or

"(3) the rendition of assistance to any State or local government through the making of grants-in-aid, the sharing of revenues derived from properties of the United States, or through the furnishing of services or facilities by the United States.

"(b) The Commission shall conduct a comprehensive study and investigation of the extent to which State and local governments derive benefits directly or indirectly through payments made to them (1) by persons residing or employed upon Federal property, and (2) for or in connection with any property, trade, business, occupation, or transaction situated or occurring upon Federal property.

"(c) The Commission shall conduct a comprehensive investigation to determine the extent, if any, to which there is need for legislation by the Congress to provide additional financial assistance for State and local governments to relieve hardship incident to the tax-exempt status of Federal property. Such investigation shall include inquiry to determine—

"(1) the classes of Federal property, if any, with respect to which any such additional assistance should be granted;

"(2) the nature and extent of any such additional assistance;

"(3) the conditions, if any, under which such additional assistance should be granted;

"(4) the annual cost to the United States of providing such financial assistance with respect to each such class of Federal

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property and with respect to all such classes of Federal property; and

"(5) ways and means whereby State and local governments may be accorded effective right to apply property taxes in effect within their several jurisdictions to industrial plant equipment, materials, supplies, and inventories owned by private parties and used by them for commercial purposes within plant facilities owned or controlled by departments and agencies of the United States Government.

"(d) On or before March 1, 1957, the Commission shall submit to the President, for transmittal to the Congress, a comprehensive report containing——

"(1) the text of all provisions of law referred to in subsection (a), together with an analysis of the purpose and effect of each such provision;

"(2) the findings of the Commission as to the facts disclosed by its studies and investigations made under subsections (b) and (c) of this section;

"(3) its recommendations, consistent with the policy prescribed by section 2 (c), as to any additional legislation the need for which has been disclosed by its investigation under subsection (c) of this section; and

"(4) a detailed analysis of the relationship between any recommendations so made and the provisions of existing law set forth in compliance with paragraph (1) of this subsection.

"(e) Upon the transmittal of such report to the Congress, the Commission shall cease to exist.

"POWERS OF THE COMMISSION

"SEC. 6. (a) To carry out the provisions of this Act, the Commission, or any duly authorized member or employee thereof, may hold such hearings, sit and act at such times and places, administer such oaths, and require, by subpena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents as the Commission, or such member or employee, may deem advisable. Subpenas may be issued under the signature of the Chairman of the Commission or any duly designated member or employee, and may be served by any person designated by such Chairman or member. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (2 U. S. C. 192–194) shall apply in the case of any failure of any witness to comply with any subpena or to testify when summoned under authority of this section.

"(b) The Commission is authorized to secure directly from, say, executive department, bureau, agency, board, commission, offices, independent establishment, or instrumentality of the United States information, suggestions, estimates, and statistics for the purpose of this Act. Each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

"EXPENSES OF THE COMMISSION

"SEC. 7. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this Act."

Amend the title so as to read: "A bill to establish in the executive branch of the Government a Commission on Payments to State and Local Governments."

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INDIVIDUAL VIEWS OF SENATOR McCARTHY

I shall support the amendment in the nature of a substitute which has been offered by Senators Mundt and Martin to S. 4183.

In my opinion, the Mundt-Martin procedure as outlined in their substitute is a much more realistic and appropriate approach to the problems which S. 4183 seeks to correct than the specific, partial remedies proposed by the committee bill.

Among other things, the committee bill in my opinion would produce a completely unjustified discrimination among communities on the basis of whether or not the problems from which they suffer as a consequence of Federal installations were initiated before or after June 30, 1950. I can see no rational justification for adopting a program of Federal expenditures which would penalize people in communities with problems created by Federal installations made prior to June 30, 1950, in order to provide benefits and payments to communities suffering from the same problems growing out of installations made by the general Government after June 30, 1950.

In addition, I think that Senators Mundt and Martin are correct in recommending against initiating a program of Federal expenditures of this type before sufficient facts and figures are available so that Congress can have a clear-cut estimation of the total costs involved.

The Mundt-Martin substitute has the virtue of establishing an interdepartmental provision to provide us with these facts while in the same time establishing a procedure whereby payments in lieu of taxes to communities can still be initiated as of January 1, 1957, which is clearly as early as any community could begin to receive benefits under the terms of the committee bill.

In the event that the Mundt-Martin substitute is rejected by the Senate and a majority of the Senate decides that it wants to act in this session on the legislative provisions contained in S. 4183, I shall seek by other amendments to correct some of the deficiencies of the proposed bill in order to give it a greater degree of realism and equity.

JOSEPH R. MCCARTHY.

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Calendar No. 2449

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2425

PROVIDING FOR THE CONVEYANCE OF CERTAIN REAL PROPERTY OF THE UNITED STATES TO THE TOWN OF BALD KNOB, ARK.

JULY 6, 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H. R. 10075]

The Committee on Government Operations, to whom was referred the bill (H. R. 10075) to provide for the conveyance of certain real property of the United States to the town of Bald Knob, Ark., having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

PURPOSE

The bill authorizes and directs the Administrator of General Services to convey all right, title, and interest of the United States in and to a post-office site, recently declared surplus to the needs of the Federal Government, to the town of Bald Knob, Ark., in consideration of $1. The land was conveyed to the Government in 1953 by the town of Bald Knob upon the payment of $1.

NEED FOR LEGISLATION

House Report 2376, 84th Congress, indicates that the unimproved property covered by this bill was conveyed in 1953 in consideration of $1, by the town of Bald Knob, Ark., to the Federal Government for use as a site on which was to be constructed a new post office. In 1955, the Government abandoned the use of the property for this purpose and subsequently declared it surplus to its needs. The House committee therefore concluded that—

> The town of Bald Knob, motivated by the desire for a new post office, in effect donated the aforementioned realty to the United States. Some time later the Government abandoned

its plans to construct a post-office building on the site of which this property is a part. Still later the entire site was declared surplus to Federal needs. Without the intervention of special legislation the entire site will be sold by the General Services Administration.

Favorable comments on the bill were received by the House committee, from the Bureau of the Budget and the General Services Administration. The letter from the General Services Administration states:

> From time to time, special legislation has been enacted to effect a departure from that general rule because of the equities in a particular case. In this case, the town did in effect donate the land to the Government in contemplation of its use as the site of a new post-office building. No such use was made of the property and, consequently, the town has been deprived of the benefit which it expected to receive as a result of its donation. It is considered that these circumstances create an equity justifying a reconveyance of the land to the town upon the terms prescribed in the bill.

COMMITTEE ACTION

The committee, upon considering the merits of the proposal, concluded that, inasmuch as the Government received this property as a gift from the town of Bald Knob with the understanding that it would be used as a site for construction of a new post office, having failed to fulfill its obligation to the community, it is only fair and reasonable that the property be returned to the town of Bald Knob as proposed by H. R. 10075.

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Calendar No. 2450

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2426

AUTHORIZING THE ADMINISTRATOR OF GENERAL SERVICES TO CONVEY CERTAIN LAND TO THE COUNTY OF GALVESTON, TEX.

JULY 6, 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H. R. 10479]

The Committee on Government Operations, to whom was referred the bill (H. R. 10479) to authorize the Administrator of General Services to convey land to the county of Galveston, Tex., having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

PURPOSE

The purpose of this bill is to authorize and direct the Administrator of General Services to convey, without monetary consideration, a parcel of land consisting of about 13 acres which has been declared excess to the needs of the Department of the Army, to the county of Galveston, Tex., for improvement of a public road to boulevard standards along the Galveston seawall.

NEED FOR LEGISLATION

House Report No. 2378, 84th Congress, sets forth the need for legislative action on the pending bill as follows:

> The Fort Crockett Reservation consists of 162 acres, 150 of which has been declared excess to the needs of the Army and, after pro forma screening with other Federal agencies for potential use, will be sold to the public. This bill proposes that a small portion, viz approximately 13 acres consisting of a 100-foot-wide strip across the southern boundary of old Fort Crockett Military Reservation, be donated to the

county of Galveston, Tex., to be used and maintained as a public road.

Fort Crockett has for many years been used by the United States Army as a Coast Artillery post. Antiquated coast artillery is now being discontinued, and consequently this particular property is being declared surplus to the needs of the Government.

A part of the land was donated to the Government in 1905 by the county of Galveston. By permit from the Secretary of War, the county has since 1925 maintained a roadway through the southern part of the reservation. This roadway, though not up to boulevard standards, is an integral part of a gulf-front boulevard continuous along the entire Galveston seawall.

The strip of land in question, situated as it is along the gulf front, would appear to be highly desirable as a public roadway, particularly inasmuch as such a roadway would also serve as an integral part of the overall seawall project. By insuring the use of this small portion of a larger tract for road purposes, the value of the remainder will no doubt be materially enhanced. Not only from the pecuniary standpoint of an overall greater return to the Government, but also from the public interest to be served, the merits of this proposal, it seems, warrant favorable consideration.

Section 3 of the bill provides that the land shall be used for public-road purposes for a period of 20 years, from the date of conveyance; however, if such use is not complied with, title to the property, together with all improvements thereon shall revest to the United States of America.

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Calendar No. 2451

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2427

PROVIDING FOR THE CONVEYANCE OF AN INTEREST OF THE UNITED STATES IN AND TO CERTAIN LANDS IN COLORADO

JULY 6, 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H. R. 9578]

The Committee on Government Operations, to whom was referred the bill (H. R. 9578) providing for the conveyance of an interest of the United States in and to certain lands in Colorado, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of the pending bills is to remove exceptions and restrictions on certain lands in Colorado, which were sold under a stipulation that title to fissionable materials should be retained by the Government. This action would conform to 1954 amendments to the Atomic Energy Act, stipulating that such title would not be reserved in future conveyances from the public domain.

NEED FOR LEGISLATION

House Report No. 2384 sets forth the need for legislative action as follows:

> A 1946 act of Congress provided that in all future conveyances from the public domain there was to be an exception and reservation of fissionable materials. An Executive order was issued in 1946 to effectuate this same policy as to conveyances of acquired realty; i. e., excepting fissionable materials. The two tracts of land to which H. R. 9578 pertains were sold by the Government in 1946, and in compliance with the Executive order title to any and all fissionable materials was reserved.

A 1954 amendment to the Atomic Energy Act stipulated that title to fissionable materials would not be reserved in future conveyances from the public domain; this prompted the revocation of the aforementioned Executive order which applied to acquired land. This 1954 amendment also provided a procedure whereby releases could be obtained from past reservations of fissionable materials made in conveyances of public land. A yet unresolved question arose as to whether the term "public land" was broad enough to include acquired land, or whether it was meant to include only land from the public domain. Since a divergence of opinion existed among the various agencies, the Attorney General was requested several months ago to issue an opinion on the question. At this time an opinion on this matter has not been issued.

Regardless of the interpretation placed upon the 1954 amendment, there is no rational basis for treating reservations made in conveyances of acquired land any differently than those reservations made in conveyances from the public domain. The controlling consideration is that the United States is no longer interested in retaining its past reservations of title to fissionable materials.

The land described in H. R. 9578 was acquired land when sold by the United States. Had it been a part of the public domain a release could now be obtained administratively pursuant to the 1954 amendment. However, the owners of this acquired land must await either a favorable opinion from the Attorney General or the enactment of remedial legislation. Mr. Rogers of Colorado, author of the bill, pointed out that this delay is imposing an inconvenience on the owners since the reservations are obstacles to the financing of improvements.

It has been informally learned from the Atomic Energy Commission and the General Services Administration that there is no objection to the release of such reservations since their retention is no longer deemed advantageous to the Government.

The committee pointed out the desirability of obtaining in the near future an opinion from the Attorney General on the aforementioned question so as to obviate the necessity of special legislation for accomplishing the purposes of H. R. 9578. Should the opinion interpret the term "public land" as not including acquired land, then it is likely the Congress would enact general legislation providing for the release of past reservations of fissionable materials made in conveyances of acquired land.

HOUSE AMENDMENTS

The House of Representatives approved H. R. 9578 with amendments to the original bill. In explanation of the amendments (H. Rept. No. 2384) the House committee stated:

The title of the bill incorrectly describes the nature of the property interest being conveyed by stating it to be a "reversionary" interest. The property interest involved is an ex-

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ception and reservation of title to all fissionable materials in certain lands conveyed by the United States in 1946. The property excepted and reserved is a present vested interest.

Since the bill was introduced for the sole purpose of obtaining a release from the United States of its title to fissionable materials in two tracts of land, and since the committee limited its consideration to this property interest only, it was deemed prudent to define precisely the interest being quitclaimed.

The Bureau of the Budget comments are as follows:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., July 2, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of March 3, 1956, requesting the views of this office with respect to S. 3303, to provide for the conveyance of the reversionary interest of the United States in and to certain lands in Colorado.

Accoring to the reports of the General Services Administration and the Atomic Energy Commission the purpose of this bill is to release the reservation by the Government of fissionable material which was made in the original conveyance of the lands in question at the time they were sold in 1946 under the authority of the Surplus Property Act of 1944. We understand that conveyances of public lands are now made without such reservation and that reservations previously made can be released. With respect to conveyances of other than public lands, as in the case here, such reservations are not now made but authority to release reservations previously made is lacking.

Under these circumstances, we would have no objection to enactment of this bill.

Sincerely yours,

(Signed) PERCY RAPPAPORT,
Assistant Director.

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Calendar No. 2452

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2428

PROVIDING FOR THE TRANSFER OF CERTAIN PROPERTY SITUATED IN THE STATE OF MAINE TO THE TOWN OF CASTINE, MAINE

JULY 6, 1956.—Ordered to be printed

Mrs. SMITH, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H. R. 11520]

The Committee on Government Operations, to whom was referred the bill (H. R. 11520) to provide for the transfer of certain property situated in the State of Maine to the town of Castine, Maine, having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

PURPOSE

The purpose of this bill is to authorize and direct the Administrator of General Services to convey all right, title, and interest of the United States in and to about 100 square feet of land and a lighthouse tower (Dice's Head Lighthouse Reservation), which has been declared surplus to the needs of the Federal Government, to the town of Castine, Maine, for public park purposes.

NEED FOR LEGISLATION

House Report 2379, 84th Congress, sets forth the need for legislative action on the pending bill, as follows:

> In 1838 the Government acquired about 3 acres of land at Castine, Maine, for the purpose of erection and maintenance of a lighthouse thereon. Known as Dice's Head Lighthouse Reservation, the property, under the custody of the United States Coast Guard, served that purpose until 1935 when the lighthouse operation at that location was discontinued. At that time, the property, except for a small residual portion

which is the subject of this bill, was transferred to the town of Castine, Maine, pursuant to special authorizing legislation.

Public Law 81 (74th Cong.), approved May 28, 1935 (49 Stat. 305), authorized the Secretary of Commerce to dispose of several specified lighthouse reservations. Section 5 of that act authorized conveyance "* * * to the town of Castine, Maine, for public park purposes, that portion of the Dice's Head Lighthouse Reservation, Maine, which is not required for lighthouse purposes, containing about three acres, and including the appurtenant structures thereon, excepting the light tower and the plot of land surrounding same one hundred feet square, together with the right of ingress and egress as may be necessary for maintenance of the light."

Section 36 of the act of May 28, 1935 provided for automatic reverter to the Government in the event of nonuse or discontinuance of use of the property for the purpose for which it was conveyed; i. e., as a public park; and provided further that—

> the United States reserves the right to resume ownership, possession, and control, for Government purposes, of any of the property so conveyed, at any time without the consent of the grantee.

The lighthouse was not reestablished during the ensuing 18 years, and the property was declared surplus to the needs of the Federal Government in 1953. Relying upon the erroneous representation of the United States Coast Guard that the residual portion could be conveyed to the town of Castine, without consideration or transfer of funds, the citizens of Castine took the necessary steps to accept it as a gift, painted the light tower and maintained the property for a period of time. It was subsequently ascertained that the Coast Guard could not convey the property to the town of Castine, but that existing laws required that it be disposed of by the General Services Administration in accordance with the provisions of the Federal Property and Administrative Services Act of 1949, as amended. As a result, the property was recently transferred to the General Services Administration for disposal. The GSA offered to sell the land to the town of Castine, but it is a small community and is not financially able to purchase the property. Subsequently, the GSA advertised the property for sale and invited public bids. Only one bid was received, and after inspecting the land, the bidder withdrew his offer and refused to participate in further negotiations.

The surplus land and light tower covered by this bill has an appraised value of $350. However, inasmuch as the property is landlocked by the city-owned public park, it appears that the best use that could be made of it would be to convey the property to Castine for public-park purposes.

The House committee recommended favorable action on H. R. 11520, for the following reasons:

Statutory authority (Public Law 616, 80th Cong., 62 Stat. 350) now exists for transfer of surplus Federal realty to States, political subdivisions, and instrumentalities thereof for park and recreational use in consideration of payment of 50 percent of the appraised fair market value and subject to the statutorily prescribed conditions and restrictions. Presumably the town of Castine, were it financially able,

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could acquire the subject property administratively pursuant to that statutory authority. However, certain difficulties can be avoided by transferring the remaining portion of the lighthouse reservation subject to the same terms and conditions as was the larger portion under Public Law 81 (74th Cong.); this bill would provide identical terms and conditions. The following illustrates difficulties avoided by this bill: Public Law 81 (74th Cong.), pursuant to which transfer of the larger portion of the lighthouse reservation was made to the town of Castine, specified that the property be used, apparently in perpetuity, for park purposes; existing law (Public Law 616, 80th Cong.) limits such use restriction to a period of 20 years. Public Law 81 (74th Cong.), provided for a right of reentry and power of termination in the United States, exercisable at the option of the United States and qualified only in that such resumption of ownership, possession, and control be "for Government purposes." Public Law 616 (80th Cong.) provides only for right of reentry and power of termination upon nonuse or discontinuance of use of property as conveyed for park or recreational purposes.

In reviewing the legislative history pertaining to this particular property, the committee is of the opinion that this proposal would be entirely consistent with the intent of the Congress in authorizing transfer of the larger portion of the property in 1935. It would certainly appear that the entire property would have been conveyed at that time had it not been for the speculative thought as to possible future lighthouse utilization. Certainly the small residual portion was retained only for lighthouse purposes when and if necessary. Otherwise an unqualified exception would have been made as to right of ingress and egress instead of limiting such right "as may be necessary for maintenance of the light."

In accordance with this view, section 2 of the bill provides that, in the event the property ceases to be used for public park purposes, all right, title, and interest so conveyed shall revert to the United States, and reserves to the United States the right to resume ownership, possession and control for Government purposes at any time without the consent of the grantee.

COMMITTEE ACTION

In view of the foregoing, the committee believes that the disposal of this small piece of surplus realty as proposed by this bill will not only insure its utilization for a worthwhile public purpose far exceeding its insignificant pecuniary value but will also insure its availability for Federal use for lighthouse or other purposes should it be needed by the Federal Government.

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Calendar No. 2453

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2429

PROVIDING FOR THE CONVEYANCE OF CERTAIN LANDS OF THE UNITED STATES TO THE BOARD OF COMMISSIONERS OF VOLUSIA COUNTY, FLA.

JULY 7, 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

[To accompany H. R. 9774]

The Committee on Government Operations, to whom was referred the bill (H. R. 9774) to provide for the conveyance of certain lands of the United States to the Board of Commissioners of Volusia County, Fla., having considered the same, report favorably thereon, without amendment, and recommend that the bill do pass.

PURPOSE

The purpose of this bill is to authorize and direct the Administrator of General Services to convey all right, title, and interest of the United States in and to two parcels of land, which have been declared excess to the needs of the United States Coast Guard, to the Board of Commissioners of Volusia County, Fla. The bill, as amended by the House of Representatives, provides that the property be transferred at 50 percent of the fair market value as determined by the Administrator of General Services, and that the property be used for public purposes. The 10 acres comprising the present Ponce de Leon Light Reservation were purchased in 1883 at a total cost of $400. There are no buildings on the parcels of land to be conveyed.

HOUSE COMMITTEE ACTION

The House Committee on Merchant Marine and Fisheries amended H. R. 9774, requiring the Administrator of General Services to place the following restrictions and limitations on the use of the property, should the bill be enacted into law: (1) A condition that no structure shall be erected on the property conveyed which would in any way

obscure or otherwise interfere with the usefulness or visibility of the light or tower; and (2) A condition that in the event the property so conveyed to such county ceases to be used for public purposes, title therein shall revert to the United States.

Since this property is intended to be used for public purposes in connection with park and recreational activities, the House committee adopted an amendment providing that it be conveyed at a price equal to 50 percent of the fair market value, thereby conforming to the policy of the Government as set forth in Public Law 616, 80th Congress.

House Report No. 2295, 84th Congress, contains the following communications from the Department of the Treasury and the Bureau of the Budget, which approved the objectives of the bill:

MAY 24, 1956.

Hon. HERBERT C. BONNER,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to the request of your committee for the views of the Treasury Department on H. R. 9774, to provide for the conveyance of certain lands of the United States to the Board of Commissioners of Volusia County, Fla.

The purpose of the bill is to convey by quitclaim deed to the Board of Commissioners of Volusia County, Fla., the title of the United States in two parcels of land which are parts of the larger tract upon which the Ponce de Leon Light Station is located. The light station is now automatic and unattended. The land sought to be conveyed by the bills has been found to be in excess of the needs of the Coast Guard, with the reservation of a right-of-way as provided in the bill. The 10 acres in the present Ponce de Leon Light Station Reservation were purchased in 1883 at a total cost of $400. There are no buildings on the parcels of land sought to be conveyed.

It is recommended that the bill be amended to provide that the conveyance of the land be on condition that no structure shall be erected thereon which would in any way obscure or otherwise interfere with the usefulness or visibility of the light or tower. It is also suggested that consideration be given to whether it would not be appropriate for the county to pay the Government the fair value of the property since it would be conveyed free of restrictions as to public use.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee. There is attached for the information of the committee a copy of a letter from the Bureau of the Budget containing further comments on H. R. 9774.

Very truly yours,

DAVID W. KENDALL,
Acting Secretary of the Treasury.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET,
Washington, D. C., May 21, 1956.

The honorable the SECRETARY OF THE TREASURY.

MY DEAR MR. SECRETARY: This will acknowledge Mr. Scribner's letter of April 24, 1956, transmitting the report which the Treasury Department proposes to submit to the House Committee on Merchant

UNIVERSITY OF MICHIGAN LIBRARIES

Marine and Fisheries with respect to H. R. 9774, to provide for the conveyance of certain lands of the United States to the Board of Commissioners of Volusia County, Fla.

You are advised that while there would be no objection to such report as you may deem appropriate, it is believed that the property covered by this bill should be declared as excess to the General Services Administration and that it should be disposed of under the provision of existing law pertaining to the disposal of surplus property. While not specifically stated, it is assumed that the board of commissioners of Volusia County, Fla., desire to buy this property for some form of public use. In this event it could probably be disposed of to the board of commissioners under the provisions of existing law which permit transfer at 50 percent of fair value, provided there is an actual need for the proposed public use. Again, assuming some public use, it is believed any transfer of this property should preserve to the Government a reversionary right in the event that it ceases to be used for public purposes at any time in the future. If the property is not wanted for a public use such as a park, it should be sold at full market value.

Sincerely yours,

ROGER W. JONES,
Assistant Director for Legislative Reference.

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Calendar No. 2454

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2430

PROVIDING FOR THE CONVEYANCE OF CERTAIN PROPERTY OF THE UNITED STATES TO THE CITY OF CORBIN, KY.

JULY 7, 1956.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Government Operations, under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

[To accompany H. R. 8817]

The Committee on Government Operations, to whom was referred the bill (H. R. 8817) to provide for the conveyance of certain property of the United States to the city of Corbin Ky., having considered the same, report favorably thereon, with an amendment, and recommend that the bill, as amended, to pass.

The amendment is as follows:

Page 2, line 3, after the words "determined by", insert the words "such qualified contract appraiser or appraisers as".

Page 2, line 4, after the word "Services", strike out the period, and insert "shall select."

PURPOSE

The purpose of this bill is to authorize the sale of about 6 acres of land, with improvements thereon, located within the city of Corbin, Ky., to the city of Corbin at the fair market value thereof as determined by such qualified contract appraiser or appraisers as the Administrator of General Services shall select.

A letter dated May 24, 1956, from the Secretary of Agriculture, which is included in this report, contains the background and essential facts relating to the property covered by this bill.

House Report No. 2464, 84th Congress, indicates that the city of Corbin is in a distress labor area, and, therefore, desires to acquire the property for leasing for industrial purposes in order to provide additional business and employment within the city. The Department of Agriculture reported that it does not appear that the property will be needed for any of its activities in the future and therefore interposed no objection to its disposal as contemplated by this bill.

COMMITTEE ACTION

As indicated in the above-cited report, the House Committee on Agriculture amended the bill to authorize the conveyance of the land from the Secretary of Agriculture to the Administrator of General Services, in whom is presently vested the custody and control of the improvements, thereby vesting control and authority to convey the land and buildings to the city of Corbin, should this bill be enacted into law.

An amendment approved by the House of Representatives, deleted the detailed description of the property because of a possible error which may arise if such language was contained in the bill. The bill was further amended to provide that, after the Administrator of General Services determines the fair market value of the land and improvements, the city of Corbin has 1 year to submit an offer to purchase at a price equal to the fair market value of the property; should the city fail to make such an offer the property will be sold in accordance with the provisions of the Federal Property and Administrative Services Act of 1949, as amended.

The additional amendments recommended by the committee will require that the fair market value of the property shall be determined by the Administrator of General Services through contract appraisal or appraisals.

The committee is in accord with the action taken by the House Committee on Agriculture, in deleting a provision of the bill which would have given the city of Corbin a credit of $10,458.75 plus interest at 6 percent, to be applied against the purchase price of the property covered by this bill.

The letter from the Secretary of Agriculture, addressed to the Chairman of the House Committee on Agriculture referred to above follows:

DEPARTMENT OF AGRICULTURE,
Washington, D. C., May 24, 1956.

Hon. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR CONGRESSMAN COOLEY: This is in response to your letter of February 2, 1956, requesting a report on H. R. 8817, a bill to provide for the conveyance of certain property of the United States to the city of Corbin, Ky.

We recommend that this bill be enacted if amended as hereinafter suggested.

H. R. 8817 would provide that the Secretary of Agriculture shall convey to the city of Corbin, Ky., a certain tract of land containing about 6 acres located within the city of Corbin upon payment to the United States of an amount equal to the fair market value of such land and improvements thereon. The bill would further provide that there shall be allowed to the city of Corbin credit against the total amount required to be paid by the city for this property equal to $10,458.75, plus interest at the rate of 6 percent per annum from the date certain sanitary improvements were constructed across the described property. It also would transfer to the Secretary of Agriculture jurisdiction of the improvements on the land now exercised by the General Services Administration.

UNIVERSITY OF MICHIGAN LIBRARIES

The described tract of land was acquired by the United States pursuant to the Weeks law of March 1, 1911, as amended, for $815. By the terms of such law this tract is national-forest land and, therefore, cannot be sold under surplus property laws. Subsequent to acquisition of the tract, a central repair shop for repair of equipment used by the Civilian Conservation Corps in activities on national forest and other lands in the general area was constructed on the property. In 1942 this property was transferred to the War Department by Executive order and was used by the Army during the war. At the conclusion of the war the improvements on the land were declared excess and jurisdiction thereof has since been exercised by the General Services Administration and its predecessors. Beginning in 1954 the property was leased to a private company and used as a small factory. A rental of $3,996 per year was paid. This lease expired on December 31, 1955, and the lessee did not make application to renew. The property is now vacant.

Improvements on the property consist of a main building 60 by 180 feet of concrete and steel construction on concrete foundation, garage and heating plant building 32 by 96 feet on concrete foundation with wood frame and plank sheathing, and a small entrance building 14 by 20 feet on concrete foundation of concrete block construction with cement floors. The entire tract is enclosed by a 6-foot heavy wire fence on iron-pipe posts. All buildings have electricity and municipal water and are heated by central heating system. All are in good condition.

In 1950 the city of Corbin installed a sewerage system, a portion of which was built over the described tract. In 1951 the city entered a claim for $10,458.75 as the amount due it for the proportionate cost of the sewerage system across this tract, based upon the area of Government property, and attempted to place an assessment against the property in that amount, plus 6 percent interest until paid. Since the Federal Government is not subject to local assessments the claim has not been paid and we feel that there are no special circumstances in this case to justify an exception.

It does not appear that this property will be needed in the future for activities of this Department. Disposal of it so that it may be put to use for commercial purposes is desirable. We understand that the city of Corbin wishes to acquire the property so that it may lease it for industrial purposes on favorable terms as a means of providing additional business and employment within the city.

The improvements constitute the principal values in this property. They are under the administrative jurisdiction of the General Services Administration. Since General Services Administration is the agency of the Federal Government which usually handles the disposition of this type of property, it is believed that it would be more appropriate for that agency to handle the disposition in this case. It is also felt desirable to have the bill amended to authorize the General Services Administration to dispose of the property under existing law, in the event the city fails to exercise its right of purchase pursuant to the terms of the bill within a reasonable time.

In order to accomplish the above objectives, it is recommended that the bill be amended as follows:

Page 1, line 3, after the word "That," strike "the Secretary of Agriculture" and insert in lieu thereof "the Administrator of General Services".

Page 2, line 4, strike "Secretary" and insert in lieu thereof "Administrator of General Services" and delete the remainder of section 1, line 4 through line 13 and insert in lieu thereof the following: "In the event the city of Corbin fails to tender the purchase price within one year after being informed of the amount thereof by the Administrator, he is hereby authorized to dispose of said tract and improvements under the Federal Property and Administrative Services Act of 1949, as amended."

Page 2, strike section 2 in its entirety, and substitute the following:

"SEC. 2. In order to carry out the purpose of this Act, there are hereby transferred from the Secretary of Agriculture to the Administrator of General Services the custody and control of the land referred to in the first section of this Act."

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

TRUE D. MORSE,
Acting Secretary.

As noted above, these suggested amendments were approved by the House of Representatives.

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UNIVERSITY OF MICHIGAN LIBRARIES

Calendar No. 2456

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2432

AMENDING THE ACT OF AUGUST 27, 1954 (68 STAT. 868), WITH RESPECT TO THE UINTAH AND OURAY RESERVATION IN UTAH

JULY 7, 1956.—Ordered to be printed

Mr. WATKINS, from the Committee on Interior and Insular Affairs, under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

[To accompany S. 3779]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 3779) to amend the act of August 27, 1954 (68 Stat. 868), with respect to the Uintah and Ouray Reservation in Utah, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

EXPLANATION OF THE BILL

The act of August 27, 1954 (68 Stat. 868), provided for the partition and distribution of the assets of the Ute Indian Tribe of the Uintah and Ouray Reservation in Utah between the mixed-blood and full-blood members thereof, and for the termination of Federal supervision over the property of the mixed-blood members of said tribe. It also provided for a development program for the full-blood members of the tribe.

It was intended that after the mixed-blood members had been separated from the tribe and proper distribution made of the tribal property the full-blood members would continue the tribal government under the constitution, bylaws, and charter previously adopted by the tribe pursuant to the Indian Reorganization Act of June 18, 1934 (48 Stat. 984).

On September 6, 1955, the Solicitor of the Department of the Interior in an opinion (M–36304) held that the determination of the full-blood membership of the tribe for the purpose of participating in the development program provided for in section 24 of the act of August 27, 1954, is controlled by the provisions of said act and not by the constitution and bylaws of the Ute Indian Tribe.

The opinion of the Solicitor was not in accordance with the understanding of the Ute Indians. The Bureau of Indian Affairs concurred in the proposal to seek amendment of the act of August 27, 1954, for

the purpose of expressing the original intention of the framers of the legislation. Sections 1 and 2 of S. 3779 amend sections 5 and 8 of the act of August 27, 1954, to accomplish this purpose.

Section 10 of the act of August 27, 1954, provides that certain tribal assets not susceptible to equitable and practicable distribution shall be managed jointly by the tribal business committee (full-blood organization) and the authorized representatives of the mixed-blood group and division of the proceeds made in direct proportion to the number of persons comprising the final membership roll of each group and without regard to the number of persons comprising each group at the time of the division of such proceeds. The known assets of this type consist of unadjudicated or unliquidated claims against the United States and oil, gas, and mineral rights. Since liquidation and division of these assets may extend for many years, it is highly desirable, particularly from the standpoint of the Government, to form a corporation to permanently represent the mixed-blood group and to which the mixed-blood share of these assets may be paid in lump sums as they are liquidated. The officers of the corporation would make the decisions for the mixed-blood group concerning the leasing of the oil, gas, and mineral lands and the prosecution of their claims against the government. The other function of the corporation would be to distribute to its stockholders (the mixed-blood members, their heirs and assigns) the net revenues from such sources. The powers of the corporation would be limited to the mixed-blood management contemplated by the act of August 27, 1954, the distribution of said assets and the powers necessarily incident thereto. In future years the corporation would avoid the expenditure by the United States of substantial sums in administrative costs. Under these circumstances it would be manifestly unfair to impose income taxes upon this proposed corporation engaged in administrative work that probably would otherwise be assumed by the United States Government. Section 3 of this act amends section 17 of the act of August 27, 1954, to prevent such unjust taxation. The section is amended in only this one particular.

In granting exemption from the Federal income tax to the corporation established under this bill, it is intended only to preserve the tax-exempt status of the distributions from the trust funds held by the United States Government on the principle that the corporation would merely act as a conduit for the transmission of funds received from the Government to the members of the mixed-blood group.

It is anticipated that the corporation will distribute the funds as nearly currently as is possible and that it will not be used as a vehicle for the accumulation of further earnings or to give tax exemption to other forms of income.

The favorable report of the Department of the Interior dated July 6, 1956, is as follows:

DEPARTMENT OF THE INTERIOR,
Washington, D. C., July 6, 1956.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: Your committee has requested a report on S. 3779, a bill to amend the act of August 27, 1954 (68 Stat. 868), with respect to the Uintah and Ouray Reservation in Utah.

UNIVERSITY OF MICHIGAN LIBRARIES

We recommend that the bill be enacted.

The bill makes three technical changes in the act of August 27, 1954 (68 Stat. 868), which provides for the division of the assets of the Uintah and Ouray Reservation in Utah between the full-blood Utes and the mixed-blood Utes, and for the termination of Federal supervision over the mixed-blood group. The need for these technical changes has been disclosed by problems that developed during the administration of the act during the past year.

Section 1 and section 2 of the bill amend the 1954 act in two places to make it clear that after the membership rolls of the mixed-blood and the full-blood groups have been prepared the full-blood roll will not be a closed one but will be subject to additions and deletions, for all purposes except the division of assets between the two groups, in accordance with the constitution of the tribe. Deceased full-blood members will have no inheritable interest in the tribal property and newborn children will be added to the roll in their own right. This is the result that was originally intended by the act, because the full-blood group is not yet subject to a termination program and until that time comes its roll should not be closed.

Section 3 of the bill exempts from corporate income taxes any corporation that may be organized by the mixed-blood group for the purpose of aiding in the joint management with the tribe and in the distribution of the undivided assets of the tribe. The present act provides that the initial distribution of tribal assets (except interest earned on funds in the United States Treasury) to the members of the mixed-blood group shall not be subject to income taxes. This is proper because the distribution represents an original tribal capital asset. Certain tribal assets are not subject to division between the two groups, however, and the act provides that they shall remain in the undivided joint ownership of the two groups. In order to relieve the Government of the onerous obligation of distributing the income from this undivided property to the individual members of the mixed-blood group and their heirs and devisees, who may soon become numerous, the mixed-blood group proposes to organize a stock corporation for the sole purpose of holding the interests of the individual mixed-blood Indians in the undivided assets and distributing the income received. The corporation thus represents merely an interim step pending the ultimate division of the undivided assets. Inasmuch as the ultimate division and distribution of those assets will not be subject to income tax, we believe that it is proper to exempt the interim corporation that will be organized principally for the convenience of the Government from corporate income taxes. Otherwise the individual members of the mixed-blood group would be subjected to double taxation on the distribution of capital tribal assets that the act contemplated would not be taxed at all.

The Bureau of the Budget has advised us that there is no objection to the submission of this report.

Sincerely yours,

WESLEY A. D'EWART,
Assistant Secretary of the Interior.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill (S. 3779), as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

THE ACT OF AUGUST 27, 1954 (68 STAT. 868)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the purpose of this Act is to provide for the partition and distribution of the assets of the Ute Indian Tribe of the Uintah and Ouray Reservation in Utah between the mixed-blood and full-blood members thereof; for the termination of Federal supervision over the trust, and restricted property, of the mixed-blood members of said tribe; and for a development program for the full-blood members thereof, to assist them in preparing for termination of Federal supervision over their property.

SEC. 2. For the purposes of this Act—

(a) "Tribe" means the Ute Indian Tribe of the Uintah and Ouray Reservation, Utah.

(b) "Full-blood" means a member of the tribe who possesses one-half degree of Ute Indian blood and a total of Indian blood in excess of one-half, excepting those who become mixed-bloods by choice under the provisions of section 4 hereof.

(c) "Mixed-blood" means a member of the tribe who does not possess sufficient Indian or Ute Indian blood to fall within the full-blood class as herein defined, and those who become mixed-bloods by choice under the provisions of section 4 hereof.

(d) "Secretary" means Secretary of the Interior.

(e) "Superintendent" means the Superintendent of the Uintah and Ouray Reservation, Utah.

(f) "Asset" means any property of the tribe, real, personal or mixed, whether held by the tribe or by the United States in trust for the tribe, or subject to a restriction against alienation imposed by the United States.

(g) "Adult" means a member of the tribe who has attained the age of twenty-one years.

SEC. 3. For the purposes of this Act Ute Indian blood shall be determined in accordance with the constitution and bylaws of the tribe and all tribal ordinances in force and effect on the effective date of this Act.

SEC. 4. Any member of the tribe whose name appears on the proposed roll of full-blood members as provided in section 8 hereof and any person whose name is added to such proposed roll as the result of an appeal to the Secretary may apply to the Superintendent to become identified with and a part of the mixed-blood group: *Provided*, That such application is made within thirty days subsequent to the publication of such proposed roll or in the event of an appeal within thirty days subsequent to notification of the decision on said appeal: *And provided further*, That before such transfer is made upon the official rolls the Secretary shall first certify that, in his opinion, such change in status is not detrimental to the best interest of the person seeking such change.

UNIVERSITY OF MICHIGAN LIBRARIES

SEC. 5. Effective on the date of publication of the final rolls as provided in section 8 hereof the tribe shall thereafter consist exclusively of full-blood members. Mixed-blood members shall have no interest therein except as otherwise provided in this Act. *New membership in the tribe shall thereafter be controlled and determined by the constitution and bylaws of the tribe and ordinances enacted thereunder.*

SEC. 6. The mixed-blood members of the tribe, including those residing on and off the reservation, shall have the right to organize for their common welfare, and may adopt an appropriate constitution and bylaws which shall become effective when ratified by a majority vote of the adult mixed-blood members of the tribe at a special election authorized and called by the Secretary under such rules and regulations as he may prescribe. Such constitution may provide for the selection of authorized representatives who shall have power to take any action that is required by this Act to be taken by the mixed-blood members as a group: *Provided*, That nothing herein contained shall be construed as requiring said mixed-blood Indians to so organize if such organization is by them deened unnecessary. In the event no such approved organization is effected, any action taken by the adult mixed-blood members, by majority vote, whether in public meeting or by referendum, but in either event, after such notice as may be prescribed by the Secretary, shall be binding upon said mixed-blood members of the tribe for the purposes of this Act.

SEC. 7. The mixed-blood members of the tribe as a group may employ legal counsel to accomplish the legal work required on behalf of said group under the terms of this Act, and for any other purpose by them deemed necessary or desirable; the choice of counsel and fixing of fees to be subject to the approval of the Secretary until Federal supervision over all of the members of said group and their property is terminated in the manner provided in section 16 of this Act.

SEC. 8. The tribe shall have a period of thirty days from the date of enactment of this Act in which to prepare and submit to the Secretary a proposed roll of the full-blood members of the tribe, and a proposed roll of the mixed-blood members of the tribe, living on the date of enactment of this Act. If the tribe fails to submit such proposed rolls within the time specified in this Act, the Secretary shall prepare such proposed rolls for the tribe. Said proposed rolls shall be published in the Federal Register, and in a newspaper of general circulation in each of the counties of Uintah and Duchesne in the State of Utah. Any person claiming membership rights in the tribe, or an interest in its assets, or a representative of the Secretary on behalf of any such person, within sixty days from the date of publication in the Federal Register, or in either of the papers of general circulation, as hereinbefore provided, whichever publication date is last, may file an appeal with the Secretary contesting the inclusion or omission of the name of any person on or from either of such proposed rolls. The Secretary shall review such appeals and his decisions thereon shall be final and conclusive. After disposition of all such appeals to the Secretary, and after all transfers have been made pursuant to section 4 hereof the roll of the full-blood members of the tribe, and the roll of the mixed-blood members of the tribe, shall be published in the Federal Register, and such rolls shall be final for the purposes of this Act[.], *but this Act shall not be construed as granting any inheritable interest in tribal assets to full-blood members of the tribe or as preventing future member-*

ship in the tribe, after the date of enactment of this Act, in the manner provided in the constitution and bylaws of the tribe.

SEC. 9. The business committee of the tribe for and on behalf of the full-blood members of said tribe, and the duly authorized representatives for the mixed-blood members of said tribe, acting jointly, are hereby authorized, subject to the approval of the Secretary, to sell, exchange, dispose of, and convey to any purchaser deemed satisfactory to said committee and representatives, any or all of the lands of said tribe described as follows, to wit:

* * * * * * *

All such sales, exchanges, or other dispositions shall be made upon such terms as said committee and said authorized representatives shall deem satisfactory and may be made pursuant to bids or at private sale, and all funds or other property derived from such sales, exchanges, or other dispositions shall be subject to the terms of this Act. Consent by the tribal business committee and said authorized representatives to the sale, exchange, or other disposal of the lands herein described shall relieve the United States of any liability resulting from such sale exchange, or other disposition. The tribal business committee and said authorized representatives are further authorized to sell or dispose of tribal assigned lands to the assignees thereof under such terms and conditions as may be agreed upon by the said tribal business committee and said authorized representatives with the assignees, subject, however, to the approval of the Secretary.

SEC. 10. The tribal business committee representing the full-blood group, and the authroized representatives of the mixed-blood group, within sixty days after the publication of the final membership roll, as provided in section 8 hereof, shall commence a division of the assets of the tribe that are then susceptible to equitable and practicable distribution. Such division shall be by agreement between them subject to the approval of the Secretary. Said division shall be based upon the relative number of persons comprising the final membership roll of each group. After such division the rights or beneficial interests in tribal property of each mixed-blood person whose name appears on the roll shall constitute an undivided interest in and to such property which may be inherited or bequeathed, but shall be subject to alienation or encumbrance before the transfer of title to such tribal property only as provided herein. Any contract made in violation of this section shall be null and void. If said groups are unable to agree upon said division within a period of twelve months from the date of such commencement, or any authorized extension of said period granted within the discretion of the Secretary, the Secretary is authorized to partition the assets of the tribe in such manner as in his opinion will be equitable and fair to both groups. Such partition shall give rise to no cause of action against the United States and the costs of such partition shall be paid by the tribe. The Secretary is authorized to provide such reasonable assistance as may be requested by both groups, or by either group, in formulation and execution of a plan for the division of said assets, including necessary technical services of Government employees at Fort Duchesne, Utah, and arranging for necessary consultations with representatives of Federal departments and agencies, officials of the State of Utah, and political subdivisions thereof, and members of the tribe. All unadjudicated

UNIVERSITY OF MICHIGAN LIBRARIES

or unliquidated claims against the United States, all gas, oil, and mineral rights of every kind, and all other assets not susceptible to equitable and practicable distribution shall be managed jointly by the Tribal Business Committee and the authorized representatives of the mixed-blood group, subject to such supervision by the Secretary as is otherwise required by law, and the net proceeds therefrom after deducting the costs chargeable to such management shall first be divided between the full-blood and mixed-blood groups in direct proportion to the number of persons comprising the final membership roll of each group and without regard to the number of persons comprising each group at the time of the division of such proceeds.

SEC. 11. Notwithstanding any other provision of existing law, the tribal funds now on deposit or hereafter deposited in the United States Treasury to the credit of the tribe or either group thereof, shall be available for advance to the tribe or the respective groups, or for expenditure, for such purposes, including per capita payments, as may be designated by the Tribal Business Committee for the full-blood members, and by the authorized agents of the mixed-blood members, and in either event subject to the approval of the Secretary: *Provided*, That the aggregate amount of the expenditures and advances authorized by this section for the mixed-blood group shall not exceed 50 per centum of the total funds of said mixed-blood group after such division, until said mixed-blood group has adopted a plan approved by the Secretary for termination of Federal supervision of said mixed-blood group, as required under section 13 hereof. After such termination of Federal supervision, per capita payments to the mixed-blood group shall not be subject to approval of the Secretary.

SEC. 12. Fifty per centum of all per capita payments to any individual mixed-blood member made pursuant to any division or distribution hereunder shall have deducted therefrom any sum or sums of money owed by such member to the tribe, whether due or to become due, unless in the opinion of the Secretary said debts are not adequately secured in which event the entire per capita payment shall be subject to such offset. Any other division, partition or distribution of property to any individual mixed-blood member made pursuant to this Act shall be subject to a mortgage to be made in favor of the tribe securing the payment of all sums of money owed by him to the tribe on the date of such division, partition or distribution to such individual mixed-blood member. The Secretary shall require the execution of any mortgage required hereunder as a condition to any such division, partition or distribution.

SEC. 13. After the adoption of a plan for the division of the assets between the two groups, a plan for distribution of the assets of the mixed-blood group to the individual members thereof shall be prepared and ratified by a majority of said group, within the period of six months from such adoption and presented to the Secretary for approval. The Secretary is authorized to provide such reasonable assistance, including necessary technical service of Government employees at Fort Duchesne, Utah, and arranging for necessary consultations with representatives of Federal departments and agencies, officials of the State of Utah and political subdivisions thereof, as may be required by the mixed-blood group in the preparation of such plan.

The plan for division of the assets among the members of the mixed-blood group may include:

(1) Complete disposition of all cash assets of said group, reserving, however, sufficient funds to cover—

(i) the proportionate share of said mixed-blood group in and to all expenses incurred in effecting the purposes of this Act, including, but not limited to, the necessary expense incurred under sections 13 and 14 of this Act:

(ii) the just and proportionate share of the mixed-bloods in the expense incurred in the prosecution of the claims of the tribe, or the bands thereof, against the United States; and

(iii) the determinable and estimated administrative costs and expenses of any mixed-blood organization authorized by this Act, including lawful and reasonable salaries and fees of authorized agents, officers and employees of said mixed-blood group.

(2) Partition of the lands of the mixed-blood group, excepting all gas, oil, and mineral rights, to corporations, partnerships, or other legal entities, and to trustees, and the individual members of said groups, quality and quantity relatively considered, according to the respective rights and interests of the parties, located so as to embrace, as far as practicable, any improvements lawfully made by the person or persons receiving such land. The value of the improvements made, under a valid lease or assignment from the tribe, shall be excluded from the valuation in making allotments to the lessee or assignee, and the land must be valued without regard to such improvements unless the lease or assignment, under which said improvements were made, provided that such improvements should become the property of the tribe. In the making of any partition due consideration shall be given to all of the rights and interests of the person or persons receiving the property, and all of the rights and interests of the other members of the tribe. Two or more of the members of said mixed-blood group may obtain their share of property as tenants in common, as joint tenants, or in any other lawful manner when such members agree among themselves as to the manner in which they desire to receive such title. When it appears that an equitable partition cannot be made among the members of said mixed-blood group without prejudice to the rights and interests of some of them, and yet a partition is directed by the group, the members of said group may voluntarily determine compensation to be made by one party to another on account of the inequity. In all cases where equity is agreed upon by the members of said mixed-blood group, such compensatory adjustment among the parties, according to the principles of equity, must be approved by the Secretary. In the event of a failure to agree upon an equitable compensatory adjustment among the parties the Secretary shall make such adjustment and his decision shall be final.

(3) Organization of corporations for the grazing of livestock, handling of water and water rights, and the shares therein may be issued to the members of said group in proportion to their interests in the assets of such corporations. When, in the opinion of said mixed-blood group, it is to the best interest of said group to transfer a portion of the assets of said group to a corporation or other legal entity for any purpose, the Secretary is authorized to make such transfer.

UNIVERSITY OF MICHIGAN LIBRARIES

(4) A transfer of assets to one or more trustees designated by said group who shall hold title to all or any part of the property of said group for management or liquidation purposes under terms and conditions prescribed by said mixed-blood group. The Secretary is authorized to make such transfer, and approve the trustees, and the terms and conditions of the trust.

(5) Sale of any portion of the assets of said group subject to the approval of the Secretary. In addition to the sales herein otherwise authorized, authority is granted to the authorized representatives of said group to sell any property of said group when, in the opinion of the majority of said mixed-blood group, a practicable partition cannot be made, or for any other reason it is deemed to the best interests of the group, and the proceeds of such sales shall be distributed equitably among the members of said mixed-blood group; after deducting reasonable cost of sale and distribution.

SEC. 14. In the event all the tribal assets, susceptible to equitable and practicable distribution, distributed to the mixed-blood group under the provisions of section 10 hereof, are not, within seven years from the date of enactment of this Act, distributed to the individual mixed-blood members as contemplated in the plan to be adopted in accordance with the provisions of section 13 hereof, so as to effectively terminate Federal supervision over said assets, then the Secretary shall proceed to make such distribution in a manner, in his discretion, deemed fair and equitable to all members of said group, or convey such assets to a trustee for liquidation and distribution of the net proceeds, or convey such assets to the persons entitled thereto as tenants in common.

SEC. 15. Any member of the mixed-blood group may dispose of his interest in the tribal assets prior to termination of Federal supervision, subject to the approval of the Secretary. In the event a member of the mixed-blood group determines to dispose of his interest in any of said real property at any time within ten years from the date of enactment of this Act, he shall first offer it to the members of the tribe, and no sale of any interest, prior to termination of Federal supervision, shall be authorized without such offer to said members of the tribe in such form as may be approved by the Secretary. After termination of Federal supervision the requirement of such offer, in form to be approved by the Secretary, shall be a covenant to run with the land for said ten-year period, and shall be expressly provided in any patent or deed issued prior to the expiration of said period.

SEC. 16. (a) When any mixed-blood member of the tribe has received his distributive share of the tribal assets distributed to the mixed-blood group under the provisions of section 10 hereof, whether such distribution is made in part or in whole to a corporation, partnership, or trusteeship in which he is interested, or otherwise, the Secretary is authorized and directed to immediately transfer to him unrestricted control of all other property held in trust for such mixed-blood member by the United States, and shall further remove all restrictions on the sale or encumbrance of trust or restricted property owned by such member of the tribe, and Federal supervision of such member and his property shall thereby be terminated, except as to his remaining interest in tribal property in the form of any unadjudicated or unliquidated claims against the United States, all gas, oil, and

mineral rights of every kind, and all other tribal assets not susceptible to equitable and practicable distribution, all of which shall remain subject to the terms of this Act, notwithstanding anything herein contained to the contrary.

(b) Prior to the removal of restrictions in accordance with the provisions of subsection (a) hereof on land owned by more than one person, the Secretary may—

(1) upon request of any of the owners, partition the land and issue to each owner an unrestricted patent or deed for his individual share, unless such owner is a full-blood member of the tribe or other Indian who owns trust or restricted property, in which event a trust patent or restricted deed shall be issued and such trust may be terminated or such restrictions may be removed when the Secretary determines that the need therefor no longer exists;

(2) upon request of any of the owners and a finding by the Secretary that partition of all or any part of the land is not practicable, cause all or any part of the land to be sold at not less than the appraised value thereof and distribute the proceeds of sale to the owners: *Provided*, That before a sale any one or more of the owners may elect to purchase the other interests in the land, or the tribe may elect to purchase the entire interest in the land, at not less than the appraised value thereof.

SEC. 17. No distribution of the assets made under the provisions of this Act shall be subject to any Federal or State income tax: *Provided*, That so much of any cash distribution made hereunder as consists of a share of any interest earned on funds deposited in the Treasury of the United States shall not by virtue of this Act be exempt from individual income tax in the hands of the recipients for the year in which paid. Property distributed to the mixed-blood group pursuant to the terms of this Act shall be exempt from property taxes for a period of seven years from the date of enactment of this Act, unless the original distributee parts with title thereto, either by deed, descent, succession, foreclosure of mortgage, sheriff's sale or other conveyance: *Provided*, That the mortgaging, hypothecation, granting of a right-of-way, or other similar encumbrance of said property shall not be construed as a conveyance subjecting said property to taxation under the provisions of this section. After seven years from the date of enactment of this Act, all property distributed to the mixed-blood members of the tribe under the provisions of this Act, and all income derived therefrom by the individual, corporation, or other legal entity, shall be subject to the same taxes, State and Federal, as in the case of non-Indians; except that [any] *any corporation organized by the mixed-blood members for the purpose of aiding in the joint management with the tribe and in the distribution of unadjudicated or unliquidated claims against the United States, all gas, oil, and mineral rights of every kind, and all other assets not susceptible to equitable and practicable distribution shall not be subject to corporate income taxes. Any* valuation for the purposes of Federal income tax on gains or losses shall take as the basis of the particular taxpayer the value of the property on the date title is transferred by the United States pursuant to this Act.

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SEC. 18. The laws of the United States with respect to probate of wills, determination of heirship, and the administration of estates shall apply to the individual trust property of mixed-blood members of the tribe until Federal supervision is terminated. Thereafter, the laws of the several States, Territories, possessions, and the District of Columbia within which such mixed-blood members reside at the time of their death shall apply.

SEC. 19. Nothing in this Act shall affect any claim heretofore filed against the United States by the tribe, or the individual bands comprising the tribe.

SEC. 20. Nothing in this Act shall abrogate any valid lease, permit, license, right-of-way, lien, or other contract heretofore approved.

SEC. 21. Nothing in this Act shall abrogate any water rights of the tribe or its members.

SEC. 22. For the purposes of this Act, the Secretary shall protect the rights of members of the tribe who are minors, non compos mentis, or, in the opinion of the Secretary, in need of assistance in conducting their affairs, by such means as he may deem adequate, but appointment of guardians pursuant to State laws, in any case, shall not be required until Federal supervision has terminated.

SEC. 23. Upon removal of Federal restrictions on the property of each individual mixed-blood member of the tribe, the Secretary shall publish in the Federal Register a proclamation declaring that the Federal trust relationship to such individual is terminated. Thereafter, such individual shall not be entitled to any of the services performed for Indians because of his status as an Indian. All statutes of the United States which affect Indians because of their status as Indians shall no longer be applicable to such member over which supervision has been terminated, and the laws of the several States shall apply to such member in the same manner as they apply to other citizens within their jurisdiction.

SEC. 24. Within three months after the date of enactment of this Act, the business committee of the tribe representing the full-blood group thereof shall present to the Secretary a development program calculated to assist in making the tribe and the members thereof self-supporting, without any special Government assistance, with a view of eventually terminating all Federal supervision of the tribe and its members. The tribal business committee, representing the full-blood group shall, through the Secretary of the Interior, make a full and complete annual progress report to the Congress of its activities, and of the expenditures authorized under this Act.

SEC. 25. Nothing in this Act shall affect the status of the members of the tribe as citizens of the United States.

SEC. 26. The Secretary shall have authority to execute such patents, deeds, assignments, releases, certificates, contracts, and other instruments, as may be necessary or appropriate to carry out the provisions of this Act, or to establish a marketable and recordable title to any property disposed of pursuant to this Act.

SEC. 27. The Secretary is authorized to issue rules and regulations necessary to effectuate the purposes of this Act, and may, in his discretion, provide for tribal or group referenda on matters pertaining to management or disposition of tribal or group assets.

SEC. 28. Whenever any action pursuant to the provisions of this Act requires the agreement of the mixed-blood and full-blood groups and such agreement cannot be reached, the Secretary is authorized to proceed in any manner deemed by him to be in the best interests of both groups.

SEC. 29. All Acts, or parts of Acts, inconsistent with this Act are hereby repealed insofar as they affect the tribe or its members.

SEC. 30. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

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Calendar No. 2457

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2433

INVESTIGATION OF ELECTION IRREGULARITIES

JULY 7, 1956.—Ordered to be printed

Mr. GREEN, from the Committee on Rules and Administration, under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

[To accompany S. Res. 306]

The Committee on Rules and Administration, having had under consideration an original resolution (S. Res. 306) providing additional funds for the Committee on Rules and Administration, report favorably thereon and recommend that the resolution be agreed to by the Senate.

The Subcommittee on Privileges and Elections has been functioning under the authority of Senate Resolution 234, a continuous resolution, agreed to May 20, 1954, in the amount of $50,000. The current balance of that appropriation is $3,235.52 and is not sufficient to meet present monthly payroll requirements and will be used until exhausted to pay vouchers for stationery supplies, communications, publications, and other expenses of the subcommittee.

Senate Resolution 176, agreed to February 17, 1956, in the sum of $50,000 contemplated the normal operating expenses of the subcommittee in fulfilling its regular committee business and the initial stages of preparation for the receipt of complaints concerning elections and petitions for investigations into election irregularities.

But, a larger appropriation will be necessary to pay for the salaries of an increased staff, travel expenses, and other costs which arise out of election contents.

It has been customary to prepare for such contingencies and in previous years Congress appropriated large sums as follows:

80th Cong	$315,000
82d Cong	185,000
83d Cong	162,500

No appropriation was asked for the subcommittee during the 1st session of the 84th Congress. The subcommittee performed its regular duties on the balance of the resolution appropriated in 1954 (S. Res. 234).

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It is difficult to forecast election contests or investigations into corrupt practices and matters of that nature. The number of additional staff personnel whose services would be necessary in the event of such investigations or contests; the number of investigations or contests which might arise during 1956 or 1957 as a result of the 1956 elections; and the overall cost of such expanded operations are highly speculative and not readily reducible to dollars and cents.

The record of investigations and contests concerning Senate elections demonstrates clearly, however, that the subcommittee must have adequate money on hand to meet these contingencies as they arise and that, once launched, an investigation or contest, or a series of investigations or contests, cannot be allowed to falter or be discontinued for the lack of sufficient money to meet expenses.

Appropriations granted but not used in the ordinary course of business would revert to the contingent fund of the Senate upon the expiration date of the specific appropriation.

No additional personnel or expenses would be added or incurred except if necessary.

The additional sum of $100,000 should be adequate to carry the subcommittee through January 31, 1957, in consideration of the normal functions and investigations and contests which can reasonably be anticipated.

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Calendar No. 2458

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2434

STUDIES REGARDING FOREIGN ASSISTANCE BY THE UNITED STATES GOVERNMENT

JULY 7, 1956.—Ordered to be printed

Mr. GREEN, from the Committee on Rules and Administration, under authority of the order of the Senate of July 6, 1956, submitted the following

REPORT

[To accompany S. Res. 285]

The Committee on Rules and Administration to whom was referred the resolution (S. Res. 285) arranging for exhaustive studies to be made regarding foreign assistance by the United States Government, having considered same, report favorably thereon with amendments and recommend that the resolution, as amended, be agreed to by the Senate.

This resolution would authorize the sum of $300,000 to be expended by the Committee on Foreign Relations for the purpose of investigating the goals, scope, and methods of the economic, military, and technical-aid programs of this Government in their relationship to its foreign policy and national interest. (See Rept. No. 2278, 84th Cong., 2d sess.)

The amendments added to the resolution by this committee change the date for report of the results of the proposed investigation from February 15, 1957, to January 31, 1957 (p. 2, line 20, and p. 3, line 10) and add a final sentence (p. 3, line 15) which would permit the chairman of the Committee on Foreign Relations to designate one or more members of that committee to act for him for the purposes of the resolution.

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